

INFORM | ENLIGHTEN | ENTERTAIN

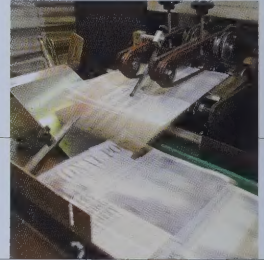


**CanWest Global
Communications Corp.**

2004 Annual Report

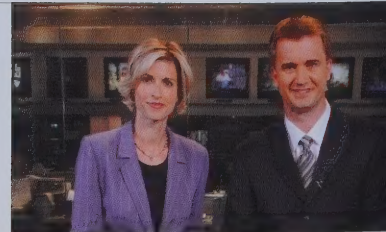
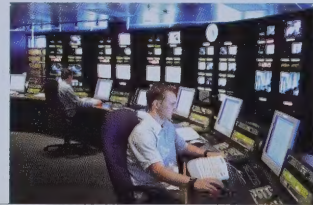


OUR MISSION To inform, enlighten and entertain people everywhere so as to improve the quality of their lives.



CORE VALUES

Serve the customer
Strive for quality and excellence
Win, but win fairly, with integrity and honesty
Empower citizens with knowledge
Give back to the community



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(Pictured clockwise from left)

Cheryl Hickey of Global Television Toronto teams up with Ronald McDonald to exchange special literacy editions of the *National Post* for donations to the CanWest Raise-a-Reader program on CanWest Raise-a-Reader Day 2004. To date, the campaign has raised more than \$2.84 million for family literacy initiatives in Canada.

Survivor IX: Vanuatu continued the hit show's run atop the Canadian television ratings.

CanWest continues to be Canada's largest publisher of daily newspapers.

Eye Corp. is one of Australia's leading out-of-home advertising companies. Eye Corp. includes more than 350 large format outdoor signs in prime locations, such as this Optus Gecko that can be seen on Parramatta Road in Sydney, Australia.

Kevin Newman leads Global Television's flagship newscast *Global National*, the leading early evening national newscast in Canada.

Susan Hay, host of Global Television's *Heart of the City*, celebrates her 11th year as host of Toronto's 100th annual Santa Claus Parade.

91.5 The Beat's Promotions Manager Sandra Henein with Canadian reggae sensation Carl Henry.

Network TEN's *Australian Idol* continues to be the highest rated show in Australia.

Christine Crosbie and Alan Carter host Global Television's *Global News Morning* seen across Ontario.

CanWest's suite of Canadian specialty television channels are broadcast across Canada from a state-of-the-art facility in downtown Winnipeg.

The phrase "You're fired!" is heard weekly by millions across Canada as *The Apprentice* continues its streak near the top of the ratings.

THE CANWEST WORLD



CANWEST MEDIAWORKS Publishing – Canada

- The *National Post*
A leading Canadian national newspaper
- CanWest Publications
10 daily newspapers and more than 20 daily, non-daily newspapers, shopping guides and related publications

Television Broadcasting – Canada

- Global Television Network
Consists of 11 television stations which broadcast to all major markets across Canada
- Independent Stations
CH Hamilton
CH Montreal
CH Vancouver Island
- CBC Affiliate Stations
CHBC Kelowna
CKRD Red Deer
- Specialty Television
Prime TV
Fox Sportsworld Canada
Mystery (50%)
X-TREME Sports
Men TV (49%)
DejaView
Lonestar
CoolTV

Radio Broadcasting – Canada

- CJZZ 99.1 CoolFM
Winnipeg, Manitoba
- CKBT 91.5 FM The Beat
Kitchener, Ontario

Media Marketing and Sales – Canada

- CanWest Media Sales
Canada's largest national television and newspaper advertising, marketing and sales company

Production Services – Canada

- CanWest Studios
Soundstage, production offices
- MVP Mobile Video Production
Live event mobile units

CanWest Interactive

- canada.com internet portal
Includes newspaper and television news sites and specialized information and service sites
- Financial Post Data Group
- Infomart

CANWEST MEDIAWORKS INTERNATIONAL Australia Television

- Network TEN (56.6%)

Out-of-Home Advertising

- Eye Corp. (100% owned by Network TEN) operating in Australia, Indonesia, Malaysia and New Zealand

New Zealand

CanWest MediaWorks NZ (70%) TVWorks (70%)

- 3 Television Network
- C4 Television Network

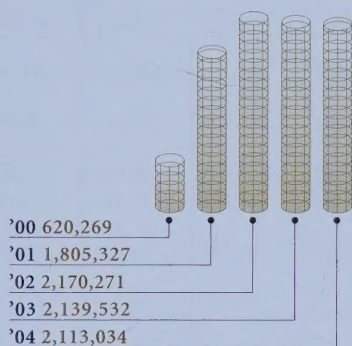
RadioWorks (70%)

- More FM: Auckland, Wellington, Christchurch, Dunedin, Hamilton
- Channel Z: Auckland, Wellington, Christchurch
- The Breeze: Wellington
- Four national networks, including Solid Gold FM, Radio Pacific, The Rock FM Network, The Edge
- LocalWorks
Kis FM
93.4 Coastline FM
Wanganni's 92.8 Star FM
Lakes96FM
KCC FM
2xx
93.2 Energy FM
Lite fm
Hit Z 89.3
95 FM
Resort Radio
Hot 93
River Radio
Nelson's Fifeshire 93 FM
4XO!
radio central
89.2 Foveaux FM

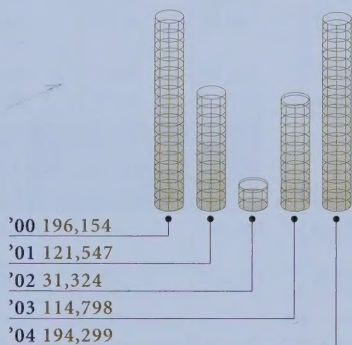
Ireland Television

- TV3 (45%)

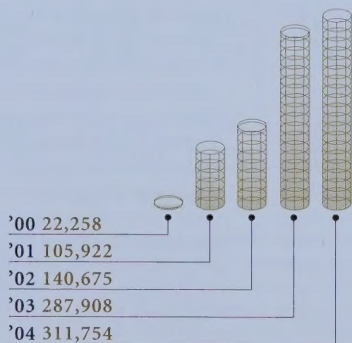
THE YEAR IN REVIEW



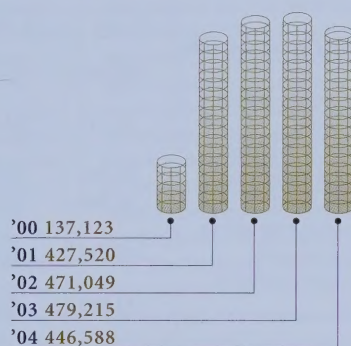
CONSOLIDATED REVENUE
(In thousands of \$)



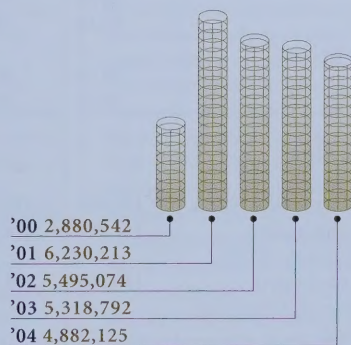
ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS¹
(In thousands of \$)



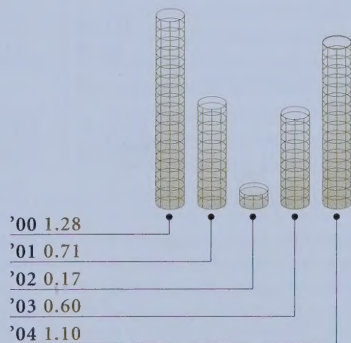
CONSOLIDATED CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS
(In thousands of \$)



CONSOLIDATED OPERATING PROFIT BEFORE AMORTIZATION
(In thousands of \$)



CONSOLIDATED TOTAL ASSETS CONTINUING OPERATIONS
(In thousands of \$)



ADJUSTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS¹
(In thousands of \$)

¹ Adjusted to exclude the amortization of goodwill and indefinite life intangibles.

SUMMARIZED QUARTERLY FINANCIAL INFORMATION

FOR THE THREE MONTH PERIODS ENDED (IN THOUSANDS OF DOLLARS, EXCEPT AS NOTED)

(UNAUDITED)

	2004				2003			
	31-Aug	31-May	28-Feb	30-Nov	31-Aug	31-May	28-Feb	30-Nov
Consolidated Operating Results								
Revenue ¹	469,607	575,768	499,709	567,950	464,378	569,600	507,948	597,606
Operating income before amortization	58,316	143,139	91,451	153,682	66,323	141,084	96,920	174,888
Net earnings (loss) from continuing operations	59,767	52,475	(1,535)	83,592	8,040	26,059	12,810	67,889
Net earnings (loss)	61,966	54,337	(211,277)	81,496	(44,712)	12,484	9,881	68,435
Cash flow from continuing operating activities	149,731	21,103	174,265	(33,345)	99,388	49,447	179,160	(40,087)
Cash flow from operating activities	151,989	45,062	165,366	(34,672)	96,052	64,338	171,359	(100,959)
Per Share Information								
Net earnings (loss) from continuing operations								
Basic	\$0.34	\$0.30	(\$0.01)	\$0.47	\$0.05	\$0.15	\$0.03	\$0.38
Diluted	\$0.34	\$0.30	(\$0.01)	\$0.47	\$0.05	\$0.15	\$0.03	\$0.36
Net earnings (loss)								
Basic	\$0.35	\$0.31	(\$1.19)	\$0.46	(\$0.25)	\$0.07	\$0.01	\$0.39
Diluted	\$0.35	\$0.31	(\$1.19)	\$0.46	(\$0.25)	\$0.07	\$0.01	\$0.36
Trading Statistics								
Trading volumes—TSX								
Subordinate voting shares	17,439,800	26,285,700	26,803,100	22,325,100	11,655,100	8,757,200	12,014,900	18,051,900
Non-voting shares	212,700	184,700	312,700	355,300	296,300	233,800	375,300	548,100
Trading volumes—NYSE								
Non-voting shares	143,200	81,800	132,200	103,500	174,600	73,200	96,600	237,800
Market price of subordinate voting shares								
High	\$11.00	\$13.18	\$14.40	\$12.49	\$11.00	\$8.69	\$8.10	\$6.80
Low	\$9.50	\$10.50	\$11.06	\$10.26	\$7.61	\$5.49	\$5.67	\$2.75
Market price of non-voting shares—TSX								
High	\$11.00	\$13.55	\$14.27	\$12.68	\$10.76	\$8.63	\$8.05	\$6.75
Low	\$9.52	\$10.40	\$11.20	\$10.05	\$7.72	\$4.23	\$5.80	\$2.90
Market price of non-voting shares—NYSE								
High	US\$8.27	US\$9.88	US\$11.13	US\$9.55	US\$7.67	US\$6.15	US\$5.35	US\$4.20
Low	US\$7.25	US\$7.82	US\$8.53	US\$7.50	US\$5.74	US\$3.76	US\$3.87	US\$1.88

¹ In 2004, revenue was restated on a retroactive basis as a result of an accounting policy change.

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Many of these factors are beyond the control of the Company. Consequently, all forward-looking statements made in this Report or the Company's documents referred to herein are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.



THE HONOURABLE FRANK McKENNA

CHAIRMAN OF THE BOARD
CANWEST GLOBAL COMMUNICATIONS CORP.

CHAIRMAN'S REPORT TO SHAREHOLDERS

Looking back, the Company's fiscal year ended August 31, 2004 can only be described as one of dramatic change in the leadership of the Company, marked by noteworthy accomplishment in terms of the goals we set for ourselves at the beginning of the fiscal year.

Of course, the passing of CanWest's founder and Chairman Israel Asper on October 7, 2003, was a shock to all of us. But Izzy, as he was known to everyone, left the Company strong and in capable hands to tackle the challenges of 2004 and beyond. The Company wasted no time in moving forward on its agenda to strengthen its balance sheet and to optimize its core broadcasting and newspaper assets while seeking out new opportunities to use the wealth of available content and human talent to spark new business ventures and new sources of revenue.

Following its rapid expansion in 2000, the Company's first priority was to integrate the new publishing operations with the existing broadcasting assets, increasing efficiencies, reducing costs and

taking advantage of market synergies to grow revenues. The Company's other main priority was to strengthen the balance sheet by using the proceeds from free cash flow and the sale of non-core assets to reduce debt. The Company was aggressive in taking advantage of more favourable conditions in capital markets to initiate refinancing of existing senior secured credit facilities at lower interest rates.

Our most complex and most successful refinancing was the most recent, completed in November 2004, when we successfully refinanced CanWest's most expensive debt: the Hollinger notes that formed part of the original purchase transaction for the acquisition of the Hollinger-owned newspapers. At current rates, this transaction will reduce CanWest's annual interest costs by an additional \$46 million.

From December 2000 to the end of fiscal 2004, the Company has received aggregate proceeds of \$890 million from the sale of non-core assets. The initial public offering covering CanWest's New Zealand broadcasting assets enabled CanWest to repatriate an additional \$257 million dollars from its New Zealand investment while retaining a 70% controlling interest the new public company, CanWest MediaWorks (NZ) Limited. Taken together, the proceeds of all these transactions, more than \$1.1 billion, plus the application of cash flow from operations, enabled the Company to reduce debt by more than 25% over the past four years, from approximately \$4 billion to less than \$3 billion.

With all those transactions behind us, the Company has now achieved the main financial goals we set out to accomplish following its major growth spurt four years ago, when the Company's revenue tripled and its profits doubled. Maintaining a strong balance sheet will remain an important priority, but the Company is now much better situated to invest significantly in organic growth and to consider acquisition opportunities.

The Company announced a number of executive management appointments in October along with a new corporate brand for our operating units, CanWest

MediaWorks and CanWest MediaWorks International. These important changes reflect the Company's determination to shift gears in order to focus on new opportunities to increase top-line revenue growth as we adapt to changing domestic and global markets that place a premium on the application of new technologies and new delivery platforms to meet the more exacting demands of 21st century consumers.

The Company made a number of important changes at the Board level in 2004. In part, this reflects a natural process of board renewal, but importantly, in its recent decisions and appointments, the Board has been conscious of evolving standards of corporate governance and the need to not only meet contemporary governance standards—a policy that has always been an integral component of CanWest culture—but also to be seen as responsive to changing expectations in this area. Specific examples include a new code of ethics (reproduced separately in this document), a policy with respect to the non-selective disclosure of material information, changes to arrangements for Board compensation and substantial new resources devoted to internal audit capacity in order to exceed new compliance standards and to ensure that the Board and officers of the Company are appropriately and fully informed in respect of their fiduciary obligations to the Company and to shareholders. Many of these practices have been in place since I joined the Board in 1999 and the Board has formalized and made numerous enhancements to the Company's corporate governance practices over the past few years.

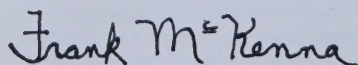
Shareholders elected two new independent members to the Board at the Annual General Meeting in January 2004. Professor Ronald J. Daniels, a distinguished legal academic, is the Dean of the Faculty of Law at the University of Toronto, and an expert in corporate and securities law. Mr. Paul V. Godfrey, currently President and Chief Executive Officer of the Toronto Blue Jays Baseball Club, brings to our Board a wealth of experience as a corporate director, a former newspaper publisher and a leader in

municipal politics as Chairman of the Municipality of Metropolitan Toronto for 11 years.

Also elected to the Board at the Annual General Meeting were Thomas C. Strike and Richard C. Camilleri, both senior executives of the Company. Mr. Strike and Mr. Camilleri were expected to serve on an interim basis to fill vacancies created when Lord Black of Crossharbour and Mr. David Radler decided not to stand for re-election. At the November 2004 meeting, Messrs. Strike and Camilleri tendered their resignations and the Board appointed Frank W. King to fill one vacancy on the Board. Mr. King is President and Chief Executive Officer of Metropolitan Investment Corporation and is the former Chairman and Chief Executive Officer of the XV Olympic Winter Games held in Calgary in 1988. He is also a Director of the Calgary Chamber of Commerce, Acclaim Energy Inc., Network Health Inc., The Westaim Corporation and Wi-Lan Inc. and is a Trustee of Rio-Can Real Estate Investment Trust and a Companion of the Order of Canada. An additional Board position will be filled in 2005 as Jalynn Bennett, a Director since 1998, has decided not to stand for re-election.

I would like to take this occasion on behalf of the Board of Directors to welcome our new Board member. I also extend our congratulations to the management and employees of the Company on the completion of another successful year. As well, I extend our appreciation to departing members of the Board for their important contributions to that success. ■

Respectfully submitted,



**THE HONOURABLE
FRANK MCKENNA, P.C., Q.C.
CHAIRMAN OF THE BOARD
NOVEMBER 2004
WINNIPEG, CANADA**

CANWEST GLOBAL COMMUNICATIONS CORP. CODE OF ETHICS

INTRODUCTION

CanWest Global Communications Corp. ("CanWest") and its subsidiaries (collectively, the "Company") are committed to maintaining the highest standards of honesty, integrity and ethical conduct and have adopted this Code of Ethics to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents filed by the Company with securities commissions and in other public communications made by the Company;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting to the Board of Directors of violations of this Code of Ethics; and
- accountability for adherence to this Code of Ethics.

APPLICATION

This Code of Ethics applies to the Board of Directors of CanWest and each of its subsidiaries that are reporting issuers, its Senior Executive Officers, including its Chief Executive Officer, and its Senior Financial Officers currently including: its Chief Financial Officer; Managing Director, Finance; Director, Financial Reporting; Director, Taxation; and Director of Audit.

GOVERNING PRINCIPLES

The Directors, Senior Executive Officers and Senior Financial Officers of CanWest shall, at all times:

- act in accordance with the highest standards of honesty, integrity and fairness and shall avoid actual or perceived conflicts of interest between themselves and the Company, whether or not those conflicts are specifically prohibited herein;
- adhere to the requirements of any applicable code of conduct on dealing in shares and any provision for the avoidance of conflicts of interest stipulated in applicable terms and conditions of employment; and
- excuse themselves from making any decision in respect of an issue in which a conflict of interest arises or could arise and, in such event, disclose in writing the relevant facts and circumstances that create or could create the conflict of interest to the Chairperson of the Board of Directors. For the purposes of this Code of Ethics, and in addition to those matters specifically prohibited pursuant to the terms hereof, conflicts of interest include but are not limited to situations in which a Director, Senior Executive Officer or Senior Financial Officer acts in any manner which might result in or create the appearance of using his or her relationship with the Company for private gain or for the benefit of another person or corporation or for the benefit of a competitor.

EFFECTIVE DATE

This Code of Ethics is effective as of January 29, 2004 and supercedes all previous Conflict of Interest Policies of the Company.

This Code of Ethics has been specifically amended to address the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. The Complete Code of Ethics is available at <http://www.canwestglobal.com/corporategovernance.html>



LEONARD ASPER

PRESIDENT & CHIEF EXECUTIVE OFFICER
CANWEST GLOBAL COMMUNICATIONS CORP.

PRESIDENT'S REPORT TO SHAREHOLDERS

For the most part, fiscal 2004 was a very good year for the Company. We will remember 2004 as the year the Company put to rest the perceived financial challenges associated with our major television and publishing acquisitions of 2000. It was the year we completed the restoration of the CanWest balance sheet to enable the Company to set a new course with a renewed focus on growth. It was the year we began again to look closely but prudently at opportunities for acquisitions in Canada and internationally. It was the year we reinvented our operating units through the adoption of a new corporate operating brand, CanWest MediaWorks, and at the international level, CanWest MediaWorks International. Finally, 2004 marked the year we reinvigorated the top levels of CanWest's executive ranks with the appointment of some new operating executives to take the Company forward.

But first, the fundamentals. Strong financial results for the 2004 fiscal year again validated the power of the

Company's diversified portfolio of Canadian and international media assets, as well as the strategy that drove CanWest's acquisition of those assets. Net earnings for the year from continuing operations increased by 69% to \$194 million or \$1.10 per share. Total segment revenues on a same asset basis increased by 4% to \$2.57 billion, while total segment operating profit grew by 2% to \$603 million.

The star performers were our operations in the South Pacific. Network TEN's Australian television and out-of-home advertising operations posted record profits for the second consecutive year with segment operating profit up 31% to A\$283 million. TEN once again had the overall top program with *Australian Idol*, attracting huge advertiser interest including a public auction for the sale of commercial spots on its grand finale. CanWest received distributions from Network TEN of A\$109.4 million in fiscal 2004 and we anticipate similar results in 2005. In New Zealand, CanWest MediaWorks (NZ) Limited registered a 52% increase in segment operating profit to NZ\$60 million. TV3, our television operation in the Irish Republic, also had a very good year. Revenues increased by 4% to EUR43 million and segment operating profit increased by 11% to EUR13 million.

In Canada, our newspaper publishing properties again provided consistent, above industry average segment operating profit growth of 8% to \$267 million. This result was achieved on a 2% increase in revenues for the publishing group, on a same asset basis, which includes Canadian online operations. This steady growth underscores our success in controlling costs as well as the payoff from earlier strategic decisions to build a new print business model that includes consolidation of selected back office services as well as sophisticated content sharing that increases news content available to editors while producing that content more efficiently. Nine of our eleven major metro dailies led their markets in circulation and revenues.

I noted last year that we anticipated a difficult environment for our Canadian conventional television operations. As expected, 2004 proved to be a difficult year for the Global Television Network, as increased competition, lower ratings in 2003 and certain regulatory disadvantages for conventional television together combined to produce a negative impact on Global's revenues and profits. Segment operating profit for Canadian broadcasting operations were off 32% to \$147 million compared to the year before. Global Television retained the number one program with the latest installment of the hit *Survivor* series, and had the number one new program with the runaway hit *The Apprentice*. As we move into the new fiscal year, there are indications that our investment in new programs and improved spring ratings at Global Television will translate into improved financial results in 2005.

Further details on results and activities at CanWest MediaWorks and CanWest MediaWorks International operations may be found separately in the Management's Discussion and Analysis section of this report to shareholders.

As noted, over the past year we made further major strides in strengthening the CanWest balance sheet. A combination of sales of non-core assets over the past four years and strategic debt refinancing to take advantage of lower interest rates have reduced debt by over \$1.1 billion and substantially reduced annual interest costs, from \$353 million in 2003 to \$311 million in 2004.

In 2004, there were three major balance sheet improvement initiatives. First, we sold our 29.9% investment in Ulster Television for \$144 million resulting in a gain of \$52 million and applied the proceeds to debt reduction.

Second, in June, the Company successfully refinanced approximately \$911 million of its existing senior secured credit facilities. The refinancing reduced annual interest costs by approximately \$4.5 million, extended maturity of the facilities until August 2009 and included amendments to financial covenants that

will increase the Company's financial flexibility to pursue a growth strategy going forward.

Third, the Company's New Zealand broadcasting properties were offered to the public in New Zealand in July 2004, in a successful IPO of a newly incorporated New Zealand company, CanWest MediaWorks (NZ) Limited. Shares of the new company, in which CanWest retains a 70% controlling interest, began trading on the New Zealand Stock Exchange on July 29, 2004. Cash proceeds to CanWest, including NZ\$200 million in proceeds from CanWest MediaWorks NZ debt financing, were NZ\$300 million (C\$257 million), all of which was used to reduce CanWest bank debt. We recorded a gain of \$66 million on this transaction.

In November 2004, the Company

reduction. Over this period, the Company succeeded in reducing corporate debt from approximately \$4 billion four years ago to less than \$3 billion by the end of fiscal 2004.

But the past year was not just about financial engineering. Our broadcasting group launched CanWest's second Canadian radio station, The Beat FM, in January 2004. A contemporary hit radio station located in the Kitchener-Waterloo region of southern Ontario, The Beat became an immediate winner among younger listeners in the region, landing in second place among 18-34 year olds in its first ratings book.

Our online operations completed an aggressive roll-out of electronic editions at all our major metropolitan daily newspapers in 2004. All of CanWest's

CanWest Publications and CanWest Interactive together developed a new family of classified brands that combine online and newspaper properties to increase exposure and added prospects of success for advertisers. The new brands include "Connecting" for online and in-paper personals, "Remembering" for obituaries and memorials, "Working" for career advice and job placement ads, "Driving" for everything to do with autos, and a newly branded real estate section, "Living."

CanWest News Service (CNS) added important new media industry customers for CanWest news content this year, including the Osprey Media Group newspapers in southern Ontario and FP Newspaper Group, which includes the *Winnipeg Free Press* and

Strong financial results for the 2004 fiscal year again validated the power of the Company's diversified portfolio of Canadian and international media assets.

successfully completed an exchange offer for Hollinger Participation Trust Notes. That transaction removed from CanWest's balance sheet the most expensive component of the Company's corporate debt, the 12 1/8% Hollinger PIK notes that formed part of the original transaction for the acquisition of our newspaper assets from Hollinger and replaced these notes, with a face value of \$903 million, with \$908 million of 8% senior subordinated debt, reducing annual interest costs by approximately \$46 million.

In sum, over the past four years, the Company has made substantial headway in transforming its balance sheet through divestitures, refinancing application of its segment operating cash flows and through the IPO of our New Zealand operations. The Company completed eight significant asset divestitures consistent with our stated plan to sell or monetize non-core assets. The proceeds from all those transactions totaled \$1.1 billion, all of which was applied to debt

metro dailies are now available in a pdf format that is an exact replica of the hard copy newspaper, delivered online at 5:00 every morning. These fully interactive, searchable online editions of the newspapers are just one example of how we are using technology to deliver news and information to consumers in new and innovative ways. Subscriber interest in our electronic newspapers has been beyond our expectations. Fully 75% of the e-paper subscribers did not previously subscribe to the corresponding hard copy newspaper. Enhancements to our online newspapers over the coming year will provide access to additional unpublished content, video-enhanced photographs and advertisements as well as numerous other customer services.

Online classified advertising has become a new competitive challenge to newspaper classifieds. Our newspaper and online operations launched an aggressive campaign to provide classified advertisers with the best of both worlds.

the *Brandon Sun*. CNS also launched a sports news product with Associated Press (AP) member newspapers in the United States. More than 60 AP member papers now purchase sports statistics and game summaries through the subscription service offered by CNS. We followed up this success by adding news photographs, news and lifestyle features and opinion pieces from CNS to its services available to media customers across North America.

Internationally, Eye Corp., the exciting out-of-home advertising subsidiary of Network TEN, expanded its airport and shopping mall concessions into New Zealand, becoming the premier billboard and out-of-home advertising company in Australasia. Winning the contract for the Auckland International Airport means Eye Corp.'s EyeFly subsidiary controls onsite advertising in all of Australia's major domestic and international airport terminals as well as New Zealand's largest and most

important airport, plus additional airports in Indonesia. Eye Corp. also increased investment in its shopping mall division, EyeShop, in 2004 by acquiring the remaining 50% of EyeShop owned by Village Roadshow Limited in a \$A15 million deal announced just after year end.

In 2004 we made an important decision to eliminate the drag on earnings attributable to ongoing market

Canadian Television and Radio; Michael Williams, President, Publications; Joseph Mangione, President, Sales and Marketing; Peter Ashkin, President, CanWest MediaWorks Technology Group; Arturo Duran, Vice President, Interactive; and Grace Palombo, Senior Vice President, Human Resources. Together with the promotion of some other key executives, we believe a winning team is in place to drive our Canadian operations

content and merchandising sales to achieve a better balance between revenues derived from advertising and from other sources. Today, advertising accounts for approximately 80% of total CanWest revenues. Our goal, to be achieved over time, is to increase the share of non-advertising revenues to 50%. In order to do that, we will have to own more of our own content and continue to expand the ways in which

We look forward into fiscal 2005 and beyond in the context of a renewed CanWest capacity to grow.

difficulties encountered by Fireworks Entertainment, our program production and distribution division. Following an extensive internal review, we concluded that there was no easy solution to the difficult challenges in international program distribution markets. We therefore made the decision to close down the Fireworks operation. Distribution activity continues pending the sale of the Fireworks library of television and film properties. A non-cash write-down of \$211 million associated with the value of the Fireworks library was recorded in the second quarter. Fireworks Entertainment is now reported as a discontinued operation. Global Television continues to engage in program production and distribution activities, but on a much-reduced scale, geared to the Canadian programming requirements of CanWest MediaWorks' broadcasting operations.

In October 2004, the Company announced a realignment of its Canadian and international operations under the CanWest MediaWorks and CanWest MediaWorks International banners. Rick Camilleri was appointed President, CanWest MediaWorks. Tom Strike was named to the position of President, CanWest MediaWorks International. Several other senior executive appointments were announced in October at CanWest MediaWorks including Kathy Dore, President,

to even greater success while meeting the demands of the digital world. Following the regular meeting of the Board on November 2, Company Chairman Frank McKenna announced the appointment of Frank King to the Board of Directors (see Chairman's message).

LOOKING AHEAD

We look forward to fiscal 2005 and beyond, in the context of a renewed CanWest capacity to grow. This means recognizing the empowerment of consumers to demand news, information and entertainment when, how and where they want it. Consumer choice and the digital and other technologies available to address those choices will be an important driver of all our decisions. Reaggregating fragmenting audiences by launching or acquiring new platforms will be an important component of CanWest's growth strategy, as will consideration of potential opportunities to expand into new markets. Our strategic goal is to seek growth opportunities in existing and new markets that embrace the five major media genres: television, print, radio, out-of-home and online. We believe there are significant opportunities to exploit the Company's deep reservoir of content to offer new products and services that will provide added diversity to our sources of revenue. This also means growing our subscription

we repurpose that content. This means increasing domestic production at our television properties, increasing content-sharing among properties, increasing sales of our content to third parties and developing new products and merchandise based on that content.

In addition, through fiscal 2004, CanWest launched a Canadian-based initiative to formally address how our Company reflects the Canadian cultural mosaic. The CanWest approach to reflecting diversity rests on a philosophy of inclusion, not isolation. We believe in reflecting diversity because, in doing so, we help build bridges and allow our viewers and readers to understand, learn from and enjoy each others' cultures and ways of life, and to celebrate each others' contributions in the building and evolution of Canada. For this reason, in addition to special programming, our media operations conscientiously incorporate diversity into their local coverage, whether it be news, arts and culture, health or business and finance. This enables all of our audiences to see themselves in our daily offerings.

CanWest has begun addressing this issue with a number of new initiatives to enhance cultural diversity, beginning with the licensed broadcasting properties owned or controlled by CanWest. Examples of such initiatives include the creation of a Cultural Diversity Task

Force, the development and distribution of corporate Cultural Diversity Best Practices, mandatory community outreach programs, the identification and expansion of news contacts and expert resources in a variety of subject areas within local ethnic, cultural and Aboriginal communities and increased efforts to post job openings in places more accessible to under-represented communities.

Finally, I want to acknowledge our employees around the world who embody the spirit of CanWest in how they give back to their communities.

We embrace and celebrate our ability and consistent record of giving back to the community as core values of our Company. CanWest has long been one of Canada's most generous practitioners of corporate philanthropy, contributing millions of dollars annually through the CanWest Global Foundation and directly through our operations in communities across Canada and in our international operations. Three years ago, we took the successful Raise-a-Reader program, a fundraising venture initiated earlier at the *Vancouver Sun*, and empowered, supported and encouraged our management and employees to extend Raise-a-Reader to major cities across Canada.

The results have been amazing. Raise-a-Reader raises money and awareness for family literacy programs

through the sale of donated newspapers by staff and celebrities in 13 Canadian cities on Raise-a-Reader Day, usually in September. In the first year as a national program, our employees and sponsors raised \$450,000 in cash; the second year, cash donations increased to \$729,000. This year, CanWest's employees, our generous corporate sponsors and partners across Canada hit the ball out of the park, raising an incredible \$1.7 million in cash, every cent of which goes to literacy programs in the communities where the money was raised. This outstanding result makes me proud to lead a Company whose employees so enthusiastically embrace the concept of giving back. I trust that you, as shareholders, will share in that pride. ■

Respectfully submitted,



LEONARD ASPER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
NOVEMBER 2004
WINNIPEG, CANADA

REFLECTING THE COMMUNITIES WE SERVE: OUR COMMITMENT TO CULTURAL DIVERSITY

We are dedicated to reflecting the diversity of the communities we serve and represent. Through our multimedia properties and commitment to employment equity in the workplace, we build bridges with the viewers, readers and employees who comprise our unique Canadian identity. We value inclusiveness.

Cultural diversity highlights from the most recent fiscal year include:

Cross-country cultural diversity training: 2004 saw the design and roll-out of a national training initiative called "Managing Diversity," featuring interactive sessions specifically designed to heighten awareness and sensitivity of managers to the issues of diversity and inclusiveness.

National roll-out of our mentorship program: Initially a pilot project in our Hamilton and Montreal stations, the Global Television Network Mentorship Program has now been launched at every Global and CH television station in Canada. The objective of the program

is to assist women, Aboriginals, persons with disabilities and visible minorities to develop the tools needed to enhance and advance their careers.

Closer involvement in Aboriginal communities: We have identified several opportunities to work closer with Aboriginal communities in all parts of Canada. For this reason, in the most recent fiscal year, we have joined the Canadian Council for Aboriginal Business (CCAB) to assist us in the continued development of our Aboriginal strategies, prepared a job posting database specific to Canada's Aboriginal communities and are founding participants in the newly formed Strategic Alliance of Broadcasters for Aboriginal Reflection (SABAR).

While we are proud of the work being done in this area, we are committed to continue building on our success and to taking a more proactive approach at the community level in all of our operations. ■

We believe in reflecting diversity because, in doing so, we help build bridges and allow our viewers and readers to understand, learn from and enjoy each others' cultures and ways of life, and to celebrate each others' contributions to the building and evolution of Canada.



GAIL ASPER
PRESIDENT
CANWEST GLOBAL FOUNDATION

OUR CORE VALUES

- Serve the customer
- Strive for quality and excellence
- Win, but win fairly, with integrity and honesty
- Empower citizens with knowledge
- Give back to the community

Giving back to the community and creating opportunities to provide a better place to live is the foundation of CanWest's corporate culture. Every community in which we operate is full of worthy organizations, with great ideas and passionate individuals prepared to roll up their sleeves and get the job done. What we can provide these organizations is money and access to our media resources to raise awareness, and CanWest does both to great effect.

The CanWest Global Foundation was founded in 1997 and has been the charitable arm of CanWest ever since. The Foundation has donated millions of dollars to worthy causes across Canada, supporting the arts, media, literacy, journalism and communication studies. In 2004, the CanWest Global Foundation and CanWest operations provided several million dollars in cash donations directly to a wide variety of programs.

Industry Support

Investing in our community is an investment in our future. As our nation's leading media company, CanWest supports media and journalism studies at post-secondary institutions across Canada. During fiscal 2004, CanWest provided \$2.0 million in cash contributions to program development, capital campaigns, lecture series, chairs and scholarships.

CanWest Raise-a-Reader Program

In 2002, CanWest launched this national fundraising initiative for family literacy programs, supported by CanWest's leading multimedia operations. Today, the CanWest Raise-a-Reader campaign operates across Canada in 13 cities, literally coast to coast from Vancouver to Halifax. CanWest Raise-a-Reader is truly a year-round

commitment with numerous fundraising events, culminating on Raise-a-Reader Day. Multimedia promotion for this campaign equals \$5 million. In three years, CanWest Raise-a-Reader has raised more than \$2.8 million for family literacy programs and libraries in our communities.

CanWest Media Support

CanWest's television stations, online and newspaper operations are vital to providing community support and awareness through promotion and cash donations to local charities and non-profit organizations. Global and CH television stations contribute more than \$16 million to community and charitable campaigns, with international support in Ireland, New Zealand and Australia, collectively reaching \$20 million. CanWest newspapers' charitable efforts total more than \$15 million per year.

CanWest in the Community

CanWest encourages and acknowledges employees who make significant contributions to their communities through the CanWest Matching Gift Fund and with the annual CanWest Community Spirit Awards. CanWest donates toward the various charities that employees endorse.

Imagine: "A Caring Company"

CanWest's dedication to the community has achieved recognition as "A Caring Company" from the Canadian Centre for Philanthropy. As a member of Imagine, CanWest donates a minimum of 1% of pre-tax profits for cash donations to non-profit and charitable organizations that help build healthy, flourishing communities.

CanWest has also identified the United Way/Centraide as a national community priority. Combined corporate and employee contributions have totaled over \$1 million in annual support, achieving national recognition in the "Thanks a Million" campaign. Only 40 companies and crown corporations across Canada have qualified for this prestigious award. ■

CANWEST IN THE COMMUNITY

CHARITABLE AND COMMUNITY GIVING

Cash contributions	\$4.5 million
Newspaper ad space	\$15 million
Television airtime	\$16.4 million
Raise-a-Reader	\$1.7 million
Total	\$37.6 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2004

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Many of these factors are beyond the control of the Company. Consequently, all forward-looking statements made in this Management's Discussion and Analysis or the Company's documents referred to herein are qualified by this cautionary

statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.

OVERVIEW

In November 2000, we acquired our Canadian publications operations from Hollinger, and in September 2001, we further expanded our publishing operations by gaining effective control of the *National Post*. The addition of these publishing and online assets to our existing national television network has resulted in the creation of Canada's largest media company. Our broad media

platform has provided us the ability to provide a multimedia product offering to our Canadian customers. In addition, we have pursued cost-cutting opportunities through the integration of our operations as well as other restructuring activities. Thus, we have levered the benefits of owning a broad media platform to improve the profitability of our operations. Our diversification within the Canadian market and internationally has improved the stability of our overall results. At the same time, we have improved our financial position through debt repayment using proceeds from the sale of non-core assets.

SELECTED ANNUAL INFORMATION

	Years ended August 31		
	2004 \$000	2003 \$000	2002 \$000
Revenue	2,113,034	2,139,532	2,170,271
Net earnings from continuing operations	194,299	114,798	31,324
Net earnings (loss)	(13,478)	46,088	13,018
Net earnings from continuing operations per share			
Basic	\$1.10	\$0.60	\$0.18
Diluted	\$1.10	\$0.60	\$0.17
Net earnings (loss) per share			
Basic	(\$0.08)	\$0.22	\$0.07
Diluted	(\$0.08)	\$0.22	\$0.07
Total Assets	4,882,125	5,318,792	5,495,074
Long-term liabilities	3,248,894	3,494,266	3,616,204

Key Factors Affecting Segment Revenues and Operating Income

Television Broadcast

We have four television broadcast segments, one for each country in which we carry on such operations. Our Canadian television segment includes our broadcast television networks in Canada as well as specialty channels and two recently launched radio stations. Our New Zealand and Irish television segments cover our television operations in those countries. Our Australian television segment includes our 56.6% economic

interest in TEN Group Pty Limited ("TEN Group"), which owns and operates TEN Television Network ("Network TEN"). Although TEN Group's results are not consolidated into our financial statements, we do analyze its results as part of our segment analysis. See note 23 to our audited consolidated financial statements.

We generate the majority of our television broadcast revenues from the sale of advertising, with the remainder generated from subscriber revenues earned by our specialty channels and the sale of broadcast rights to our programming. Demand for television advertising is

driven primarily by advertisers in the packaged goods, automotive, retail and entertainment industries and is strongly influenced by general economic conditions. The attractiveness of our programs to advertisers and the rates we charge are primarily a function of the size and demographics of our viewing audience. The dependence of our advertising revenues on the ratings performance of our television programs make our television broadcast revenues less predictable than our publishing revenues.

Following 7% advertising revenue growth in fiscal 2003, advertising revenues

declined by 7% in our Canadian television broadcast segment in fiscal 2004, reflecting a slight reduction in television advertising purchases in general as well as loss of share resulting primarily from reduced ratings performance. The performance relative to the prior year has progressively improved throughout fiscal 2004. We believe that revenues will stabilize in early fiscal 2005 relative to the same period in fiscal 2004.

Our Australian and New Zealand television broadcast segments performed well for fiscal 2004, with local currency revenues up by 14% in Australia and 6% in New Zealand. The effect of the strengthening local currency relative to the Canadian dollar contributed an additional 8% revenue increase for Australia and New Zealand. In our Irish television segment, following five years of solid revenue growth, revenues in local currency for fiscal 2004 showed growth of 4%.

Our principal television broadcast operating expenses are programming costs and employee salaries. In fiscal 2004, segment operating expenses increased 6% in Canada, primarily as a result of increased programming costs. In Canada, we expect this trend to continue into fiscal 2005 as we continue to invest in our program schedule. In New Zealand, segment operating expenses for the year ended August 31, 2004 were flat as compared to the same period in the prior year as a result of reduced programming costs, which partially resulted from the purchasing power of a strong New Zealand dollar. In Australia, segment operating expenses increased by 15%, reflecting increased programming costs. For our Irish broadcasting operation, segment operating expenses increased 4% compared to fiscal 2003.

Publishing and Online

Our publishing and online segment includes our Canadian newspaper operations as well as our internet operations including the canada.com web portal. Our publishing and online revenues are primarily earned from newspaper adver-

tising and circulation revenues from our newspapers in Canada. Our newspaper and online advertising revenues are a function of the volume, or lineage, of advertising sold and the rates we charge. Circulation revenues are produced from home-delivery subscriptions for our newspapers and single-copy sales sold at retail outlets and vending machines and are a function of the number of newspapers we sell and the average per-copy prices we charge.

Excluding the effect of the sale of certain publishing assets in February 2003, advertising and circulation revenues were higher in fiscal 2004. The advertising increase resulted primarily from increases in pricing. Circulation revenues increased marginally in fiscal 2004 as a result of higher per copy revenue, partially offset by small declines in circulation. We expect that circulation revenues, which make up approximately 21% of total newspaper revenues, will be relatively flat in fiscal 2005 and that slight declines in newspaper circulation will be somewhat offset by gaining paid circulation from our electronic editions which were launched in all of our major markets in fiscal 2004.

Our principal operating expenses in the publishing and online segment are salaries, newsprint and distribution expenses. Segment operating expenses, excluding the effect of the sale of publishing assets, increased by 1% in fiscal 2004 as compared to fiscal 2003, but decreased as a percentage of revenues to 78% in fiscal 2004 from 79% in fiscal 2003. The decrease in expenses, as a percentage of revenues, was primarily the result of operational restructuring completed in the last half of fiscal 2003. Such decreases are not expected to continue. There was no substantive change in our newsprint expense in fiscal 2004. Slight cost increases were offset by reduced consumption. As a result of the strong Canadian currency, we expect our newsprint expense to remain relatively constant into fiscal 2005.

Radio Broadcast

Our radio broadcast segment consists of our radio operations in New Zealand,

which earn substantially all of their revenues from advertising. Radio advertising revenues are a function of overall radio advertising demand and advertising rates. Radio advertising rates are determined based on the number and demographics of our listeners. Our radio broadcast segment revenues increased 10% in local currency in fiscal 2004, reflecting significant growth in radio advertising expenditures in New Zealand. In addition, a strengthened New Zealand currency contributed an additional 8% increase. We expect revenues in local currencies to continue to increase during 2005, bolstered by the addition of new FM frequencies acquired in fiscal 2004.

The principal operating expenses in the radio broadcast segment are salaries, marketing costs and music royalties. Segment operating expenses in local currency increased 5% in fiscal 2004 as compared to fiscal 2003; as a result of the strengthened New Zealand currency, this increase was 12% in Canadian dollars.

Outdoor Advertising

Our outdoor advertising segment consists of TEN Group's wholly-owned subsidiary, Eye Corp. Although Eye Corp.'s results are not consolidated into our financial statements, we analyze its results as part of our segment analysis. See note 23 to our audited consolidated financial statements.

Eye Corp. generates its revenue from the sale of out-of-home advertising. Eye Corp.'s advertising revenues are a function of overall outdoor advertising demand and rates. Eye Corp.'s advertising rates are primarily a function of the number and demographics of the audience for Eye Corp.'s displays. Segment revenues increased during fiscal 2004, reflecting the impact on airport terminal advertising sales of increased air travel, as well as increased inventories and rates. The principal operating expenses in this segment are salaries, site rental costs and production expenses. Segment operating expenses decreased as a percentage of revenues to 81% in fiscal 2004 from 93% in fiscal 2003 as a result of a focus on cost containment.

Acquisitions and Divestitures

We have made a number of acquisitions and divestitures since the beginning of fiscal 2002 that affect the comparability of our results from period to period.

- In October 2001, we disposed of CKVU, a television station in Vancouver.
- In September 2001, we gained effective control of the *National Post* and began consolidating its financial results (we acquired the remaining 50% not already owned in April 2002).
- In August 2002 and February 2003, we disposed of certain community newspapers.
- In June 2004, we sold our 29.9% interest in Ulster Television.
- In July 2004, we completed the initial public offering and refinancing of our New Zealand operations, which reduced our ownership from 100% to 70%.

Foreign Currency Effects

Our Australia, New Zealand and Ireland operations expose our segment revenues and operating expenses to fluctuations between the Canadian dollar and the Australian dollar, New Zealand dollar and Euro respectively. A decline in the value of the Canadian dollar against those currencies increases the Canadian dollar equivalent of the revenues and expenses we record in those currencies. An increase in the value of the Canadian dollar has the opposite effect.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We have identified below the critical accounting estimates that we believe require significant judgment in the preparation

of our consolidated financial statements. We consider these accounting estimates to be critical because changes in the assumptions or estimates we have selected have the potential of materially impacting our financial statements. For a summary of all of our significant accounting policies, see note 1 to our audited consolidated financial statements.

Goodwill and Intangible Assets

We estimate the useful lives of intangible assets and the value of goodwill based on historical customer patterns, industry trends and existing competitive factors. Significant long-term changes in these factors could result in material impairment of the value and life of intangible assets and goodwill. As at August 31, 2004, we had \$929 million of intangibles and \$2,373 million of goodwill on our balance sheet.

In performing the annual impairment testing of goodwill and intangibles, management makes a number of assumptions and estimates in determining fair value. The fair value definition used is the amount at which an asset could be bought or sold in a current transaction between willing parties. Valuation techniques used for reporting units include either a market approach or a discounted cash flow ("DCF") approach. The market approach is used where comparable public market data is available, or we have bona fide offers for assets. The projections used in the DCFs represent management's best estimates of expected future operating results of the reporting units for the first three years and an extrapolation based on aggregate economic factors such as gross domestic product growth rates and inflation, for the final two years of the forecast period. Precedent transactions involving comparable companies and market statistics for comparable companies are used to select appropriate terminal value multiples. In addition, the expected risk-free and other rates of return, general economic conditions, historical and forecasted operating results and valuations prepared by third parties are considered. The discount rates used are based on the

weighted average costs of capital using the capital asset pricing model and adjusting for the size of the local reporting unit, local tax rates and risk profile. Had different assumptions or valuation techniques been used in performing the impairment testing at August 31, 2004, the carrying value of intangibles and goodwill might have been different.

The valuation of one of our reporting units with a goodwill balance of approximately \$63 million was based on management's business plan that anticipates achieving certain levels of profitability over the next three years. Failure to achieve the targets established in the business plan may result in a goodwill impairment.

Income Taxes

We are subject to income taxes in Canada and numerous foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Management uses judgment and estimates in determining the appropriate rates and amounts in recording future taxes, giving consideration to timing and probability. Actual income taxes could vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made. Our income tax recovery was \$10 million for the year ended August 31, 2004. Future tax assets were \$119 million, while future tax liabilities were \$260 million at August 31, 2004. See note 14 to our audited consolidated financial statements.

Accounting for Pension and Other Benefit Plans

The cost of defined benefit pension and other retirement benefits earned

by employees is calculated based on management's estimates of expected plan investment performance, salary escalation, retirement ages of employees, the discount rate used in measuring the liability and expected healthcare costs. For fiscal 2003 and 2004, based on experience and discussions with plan managers, management estimated the long-term rate of return on plan assets to be 6.75% to 7.25%. For the same periods, the discount rate used in measuring the liability was 6.5% to 6.75%. The discount rate was estimated by applying Canadian corporate AA zero coupon bonds to the expected future benefit payments under the plans. Management assumed that earnings would increase by 3.5% per year and that price inflation would be 2% per year. The defined benefit pension and other retirement benefit expense we recorded for the year ended August 31, 2004 was \$26.7 million. Use of different assumptions would vary results.

Broadcast Rights

At August 31, 2004, we had \$95 million in broadcast rights. Broadcast rights represent the right to air various forms of programming. Broadcast rights and the corresponding payables are recorded when the license period begins and the programs are available for air. Foreign programming is primarily acquired on a "pay for play" basis and is immediately aired, while some foreign and most domestic programming may be carried in inventory and amortized over a series of plays. Management must use estimates and judgment in determining the useful lives and carrying values of broadcast rights. Estimates of useful life relates to the expected number of plays over which the cost of acquiring the rights are amortized, while estimates of value primarily relate to the time slots in which the programs will be aired. Inventories are reviewed regularly to ensure recoverability of the book value of broadcast rights.

CHANGES IN ACCOUNTING POLICIES

Hedging Relationships

The Company adopted CICA Accounting Guideline 13, "Hedging Relationships," effective September 1, 2003. In accordance with the new policy, the Company's hedging relationships are documented and subject to effectiveness tests on a quarterly basis for reasonable assurance that they are and will continue to be effective. The adoption of this guideline had no impact on the financial statements.

Stock Options

We adopted the fair value method of accounting for share-based compensation recommended by the CICA in Section 3870, "Stock-based Compensation and Other Stock Based Payments," on a prospective basis for options granted subsequent to September 1, 2003. As a result of the adoption of this policy, the fair value of stock options granted is charged to earnings over the vesting period of the options. In the year ended August 31, 2004, we recorded an expense of \$1 million for options granted in fiscal 2004.

Reporting Circulation Revenue Gross Versus Net

During the year ended August 31, 2004, we retroactively adopted the provisions of the Emerging Issues Committee of the CICA (EIC-123), "Reporting Revenue Gross as a Principal versus Net as an Agent." Under this provision, our circulation revenues are reported on a gross basis. Previously, we reported circulation revenues net of certain of our distribution contract costs. The impact of this adoption was to increase sales and operating expenses by \$46.0 million for the year ended August 31, 2004 (\$44.2 million for the year ended August 31, 2003).

Proposed Accounting Policies

The Accounting Standards Board of the Institute of Chartered Accountants of Canada issued AcG-15, "Consolidation of Variable Interest Entities." We have determined that we are the primary beneficiary of TEN Group, a variable interest entity. Accordingly, we will

consolidate the results of TEN Group in fiscal 2005. We currently use the equity method to account for our interest in TEN Group. Consolidation of TEN Group will have a significant impact on our revenues, expenses, assets and liabilities. There will be no impact on our shareholders' equity. Summarized results of TEN Group are included in note 3 of our consolidated financial statements for the years ended August 31, 2003 and 2004. We will adopt this standard on a retroactive basis effective September 1, 2004 with restatement of prior periods.

OPERATING RESULTS

Introductory Note

• *Segment operating profit.* In the discussion that follows, we provide information concerning our segment operating profit. We calculate segment operating profit by determining segment operating income before amortization as defined below and adding back restructuring charges. See note 23 to our audited consolidated financial statements. Management utilizes segment operating profit as a measure of segment profitability in making strategic resource allocations. In addition, we and our lenders and investors use segment operating profit to measure performance against our various leverage covenants.

• *Operating income before amortization.* We also discuss our consolidated operating income before amortization. Operating income before amortization is not a recognized measure of financial performance under Canadian generally accepted accounting principles (GAAP). Investors are cautioned that operating income before amortization should not be construed as an alternative to operating income or net earnings determined in accordance with GAAP as an indicator of our performance. Our method of calculating operating income before amortization may differ from other companies and, accordingly, operating income before amortization may not be comparable to measures used by other companies.

Fiscal 2004 Compared to Fiscal 2003

Following is a table of segmented results for the years ended August 31, 2004 and August 31, 2003, including a reconciliation of segment operating profit to operating income:

Operating Segments	Revenue		Segment operating profit	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Publishing and Online—Canada	1,193,627	1,208,180	267,343	258,496
Television				
Canada	690,302	730,407	147,430	216,346
Australia—Network TEN ¹	409,204	336,362	145,328	106,975
New Zealand	108,236	95,055	23,291	10,095
Ireland	34,152	32,490	10,591	9,729
	1,241,894	1,194,314	326,640	343,145
Radio—New Zealand	86,717	73,400	27,488	20,751
Outdoor—Australia ¹	43,742	36,656	8,215	2,560
Corporate and other			(27,110)	(23,213)
Total operating segments	2,565,980	2,512,550	602,576	601,739
Restructuring and film and television impairment expense ²			(2,445)	(23,305)
Elimination of equity accounted affiliates ¹	(452,946)	(373,018)	(153,543)	(99,219)
Total	2,113,034	2,139,532	446,588	479,215
Operating income before amortization			446,588	479,215
Amortization			93,714	95,275
Operating income			352,874	383,940

¹ Represents the Company's proportionate interest in TEN Group and its wholly owned subsidiaries.

² For 2004, restructuring expenses relate to Canadian television operations. For 2003, it includes Network TEN film and television impairment charges of \$10.3 million and Canadian media operations restructuring expenses of \$13.0 million.

The following discussion is based on the Company's consolidated results for the year ended August 31, 2004. Comparisons with the prior year's results are affected by corporate initiatives, including the divestiture of certain newspaper publishing properties; accordingly, the Company provides certain pro forma comparatives. Pro forma revenue, operating income before amortization and operating income for fiscal 2003 exclude the results of newspaper publishing assets sold in February 2003.

	Revenue	Operating income before amortization	Operating income
	\$000	\$000	\$000
For the year ended August 31, 2003			
As reported	2,139,532	479,215	383,940
Newspaper publishing properties sold	(39,956)	(10,105)	(9,612)
Pro forma	2,099,576	469,110	374,328

CONSOLIDATED RESULTS

Revenues. Consolidated revenues declined by \$26 million to \$2,113 million during the year ended August 31, 2004. The decline resulted from the sale of publishing assets in February 2003; these assets accounted for \$40 million of our consolidated revenues for fiscal 2003. The effect of the publishing asset sale was partially offset by a \$13 million, or 1%, increase in revenues from our remaining assets. This increase was driven by significant increases in revenues from our international media operations and an improvement in our continuing operations in the publishing and online segment, which were partially offset by a decrease in revenues from our Canadian television segment.

Operating expenses. Consolidated operating expenses (including selling, general and administrative expenses) before amortization increased by \$6 million for the year ended August 31, 2004 to \$1,664 million. The assets sold to Osprey Media accounted for \$30 million of our consolidated operating expenses during fiscal 2003. Consolidated operating expenses attributable to operations not sold increased \$47 million, or 3%, from \$1,617 million in fiscal 2003, as a result of significant programming expense increases for our Canadian television segment as well as general expense increases in other operating segments.

Restructuring charge. In fiscal 2004, we incurred \$2 million in restructuring expenses related to Canadian television operations. In fiscal 2003, we undertook restructuring activities in our Canadian media operations that generated restructuring expenses of \$13 million. The restructuring expense related to the following operating segments: Canadian television—\$3 million, Canadian publishing and online—\$9 million and corporate and other—\$1 million.

Operating income before amortization. Consolidated operating income before amortization decreased by 7% in the year ended August 31, 2004 to \$447 million,

from \$479 million in fiscal 2003. Of the \$33 million decline in consolidated operating income before amortization, \$10 million was attributable to the sold publishing assets. The remainder of the decrease reflects lower segment operating profit in our Canadian television segment, which was partially offset by increases in our New Zealand and Australian television segments and our publishing and online segment.

Amortization. Amortization of intangibles was \$18 million for both fiscal 2004 and 2003. Amortization of property, plant and equipment was \$71 million for both fiscal 2004 and fiscal 2003.

Operating income. Consolidated operating income was \$353 million in the year ended August 31, 2004, compared to \$384 million for fiscal 2003.

SEGMENT RESULTS***Publishing and Online***

- **Revenues.** Segment revenues for the year ended August 31, 2004 were \$1,194 million, a decrease of \$15 million, or 1%, from the revenues recorded in fiscal 2003. The decline reflects the publishing asset sale in February 2003; the divested assets accounted for \$40 million of our publishing and online revenues during fiscal 2003. Our remaining publishing assets recorded an increase of \$25 million, or 2%, compared to fiscal 2003. Excluding the impact of the publishing asset sales, advertising revenues were up approximately 2% overall with flat lineage and increased pricing. Lineage reflects strength in classified and retail partially offset by decreases in national account lineage, most significantly in the automotive sector. The increase in rates reflects increases for national accounts; the rates achieved for retail decreased as a result of an increased use of inserts versus run of press. While circulation numbers were flat, circulation revenue increased marginally as a result of achieving an increase in revenue per copy.
- **Operating expenses.** Segment operating

expenses (including selling, general and administrative expenses) for the year ended August 31, 2004 declined by \$23 million compared to fiscal 2003. This decline reflects a \$30 million decrease in operating expenses attributable to publishing assets sold, partially offset by a \$6 million increase in operating expenses attributable to our continuing operations. The modest increase reflected normal salary escalations and increases in certain administrative costs including pension expense, partially offset by cost reductions attributable to the restructuring undertaken in the latter part of fiscal 2003. Newsprint expenses increased approximately 1%, reflecting an increase in the cost of newsprint partially offset by reduced consumption.

- **Segment operating profit.** Segment operating profit for the year ended August 31, 2004 increased by \$9 million compared to the same period in the prior year. Excluding the impact of the publishing assets sold to Osprey Media, segment operating profit was \$19 million, or 8%, higher than in fiscal 2003, driven primarily by the increase in revenues.
- **Restructuring expenses.** \$9 million were recorded in respect of this segment for the year ended August 31, 2003, consisting of employee severance costs. These charges are not reflected in segment operating profit.

Canadian Television

- **Revenues.** Segment revenues for the year ended August 31, 2004 declined by 5%, or \$40 million, to \$690 million, from \$730 million recorded in fiscal 2003 as a result of a 7% decrease in airtime sales for the year ended August 31, 2004. The decrease in airtime sales primarily reflects an increasingly competitive marketplace, a decline in ratings and decreased advertising from certain sectors, particularly packaged goods and retail. Airtime revenue decreases were most significant in the first quarter of fiscal 2004, at an 11% decrease compared to the first quarter of fiscal 2003.

This decrease was partially offset by an approximately \$3 million increase

in revenues from the sale of program rights resulting from an increase in television program production by Global Television. In addition, our seven digital specialty channels reported increases in both subscriber and advertising revenue. Overall, digital revenues increased by 22% to \$10 million in the year ended August 31, 2004 compared to the same period in the previous year. There are now more than 3.4 million subscribers to our digital services, representing a 17% increase year to date in fiscal 2004. Our seventh channel, CoolTV was launched in the first quarter of fiscal 2004.

- *Operating expenses.* Segment operating expenses (including selling, general and administrative expenses) of \$543 million were 6%, or \$29 million, higher for the year ended August 31, 2004 than in the same period the prior year. This reflected increases in expenses due to the following:
 - program amortization, which comprises approximately 50% of segment operating expenses, increased by approximately \$14 million, or 6%, for the year ended August 31, 2004 as compared to fiscal 2003, including charges related to the discontinuance of certain programming activities including *The Mike Bullard Show* as well as increased costs of new program offerings;
 - increased pension expense primarily as a result of an increase in the amortization of the actuarial loss in our defined benefit pension plans; and
 - increased levies for the Society of Composers, Authors and Music Publishers of Canada (SOCAN) were introduced, resulting in an expense increase of approximately \$2 million for the year ended August 31, 2004, including approximately \$1.5 million which related to retroactive assessment for prior fiscal years.

These increases were partially offset by cost reductions achieved through savings as a result of operational restructuring activities which were undertaken in the last half of fiscal 2003.

- *Segment operating profit.* As a result of revenue decreases and expense increases,

Canadian television segment operating profit for the year ended August 31, 2004 decreased 32% to \$147 million compared to \$216 million for fiscal 2003.

- *Restructuring expenses.* Restructuring expenses of \$2 million were recorded in respect of this segment for fiscal 2004, and \$3 million were recorded in respect of this segment for fiscal 2003, consisting of employee severance costs. These charges are not reflected in segment operating profit.

Australian Television

- *Revenues.* Segment revenues for the year ended August 31, 2004 increased by 22% to \$409 million from \$336 million for the same period in the prior year. In domestic currency, segment revenues increased 14%, reflecting Network TEN's strong rating performance in a strong television advertising environment. The strength of the Australian currency contributed an additional 8% increase on translation to Canadian dollars.
- *Operating expenses.* Segment operating expenses for the year ended August 31, 2004 increased 15% to \$264 million compared to \$229 million for the same period in fiscal 2003. In domestic currency, operating expenses increased 7%, primarily as a result of increased programming expenses. The strength of the Australian currency added an additional 8% increase on translation to Canadian dollars.
- *Segment operating profit.* Segment operating profit increased by 36% to \$145 million for the year ended August 31, 2004 compared to \$107 million in the same period in fiscal 2003, as the increase in revenues more than offset the increase in operating expenses.

New Zealand Television

Revenues for New Zealand's 3 and C4 television networks increased by 14% to \$108 million for the year ended August 31, 2004 from \$95 million the previous year. In local currency, revenues increased by 6%, reflecting growth in New Zealand television advertising expenditures. C4 (formerly TV4) was re-launched in the

period as New Zealand's first free-to-air music channel and is contributing to the increase in revenues. The stronger New Zealand currency contributed an additional 8% increase. In local currency, operating expenses for New Zealand's 3 and C4 television networks decreased by 6%, primarily as a result of reduced programming costs partially due to the increased purchasing power of the New Zealand dollar. In addition, in fiscal 2003, programming expense was higher as a result of the write-down of inventory in anticipation of the C4 format change. On translation to Canadian dollars, operating expenses for New Zealand's 3 and C4 television networks were flat as compared to fiscal 2003, as a result of the strengthened New Zealand currency. New Zealand's 3 and C4 produced segment operating profit of \$23 million, a \$13 million increase from \$10 million recorded in the year ended August 31, 2003.

Irish Television

Our 45% share of revenues at TV3 in the Republic of Ireland increased by 5% to \$34 million for the year ended August 31, 2004 from \$32 million in fiscal 2003. As a result of increased revenues, our share of TV3's segment operating profit increased by 9% to \$11 million from \$10 million recorded in fiscal 2003.

New Zealand Radio

CanWest RadioWorks in New Zealand continued its steady performance, increasing revenues and segment operating profit for the year ended August 31, 2004. Revenues grew by 18% to \$87 million from \$73 million in the same period in the previous year. Revenues in domestic currency grew by 10%, with an additional 8% increase as a result of translation to Canadian currency. The revenue increase was driven principally by growth in radio advertising expenditures in New Zealand. As a result of growth in revenue and a strengthened New Zealand currency, RadioWorks' segment operating profit grew by 32% to \$27 million from \$21 million in fiscal 2003.

Outdoor Advertising

Segment revenues increased by \$7 million, or 19%, to \$44 million from \$37 million for fiscal 2003. This increase reflected 11% growth in revenue in domestic currency with a further 8% increase as a result of currency translation. Segment operating profit increased by \$6 million, or 221%, to \$8 million, as compared to the year ended August 31, 2003.

Corporate and Other

Segment expenses increased from \$23 million in fiscal 2003 to \$27 million in fiscal 2004. Restructuring expenses of \$1 million were incurred in respect of this segment in the year ended August 31, 2003 consisting of employee severance costs.

Interest Income and Expense

Interest expense was \$311 million for the year ended August 31, 2004, compared to \$353 million in the same period in the previous year, reflecting a reduced level of debt as well as reduced interest rates achieved through refinancing of debt. Debt at August 31, 2004 was \$2,872 million, \$358 million less than the debt outstanding at August 31, 2003 of \$3,230 million. We refinanced our senior secured debt in August 2003 and June 2004, resulting in annual interest savings of approximately \$8 million and approximately \$4.5 million, respectively.

In the year ended August 31, 2004, we recorded a \$111 million loss equivalent to the change in fair value of interest rate and foreign currency and interest rate swaps which have not been settled and which relate to debt that has been retired. This compared to a loss of \$23 million for the same period of fiscal 2003.

We recorded interest income of \$9 million for the year ended August 31, 2004, primarily related to interest received on an income tax refund related to an income tax issue which was resolved in the first quarter, interest received on Network TEN distributions and interest on the *National Post* settlement.

Foreign Exchange Gains

We recorded net foreign exchange gains

of \$45 million in the year ended August 31, 2004. Approximately \$36 million of this gain related to a gain on early retirement of \$US denominated debt in August 2004. In addition, we recorded translation gains on \$US denominated debt which has not been hedged and distributions receivable from Network TEN. This compared to a \$4 million foreign exchange gain recorded in the previous year.

Investments

For the year ended August 31, 2004, we recorded investment income of \$111 million, compared to investment income of \$9 million in fiscal 2003. In fiscal 2004, we recorded a gain on the sale of our interest in UTV of \$52 million, a gain of \$66 million related to the New Zealand IPO, a dilution gain of \$2 million as a result of Network TEN issuing shares pursuant to the exercise of certain executive stock options which effectively diluted our economic interest to 56.6%. These gains were partially offset by the write-down of financing and other deferred costs of \$8 million. For the year ended August 31, 2003, we recorded a gain of \$21 million on the sale of community newspapers and a dilution gain of \$2 million related to Network TEN, offset by a loss of \$11 million on the sale of our shares in SBS Broadcasting and the write-down of deferred costs of \$3 million. Dividend income of \$4 million received from UTV in fiscal 2004 was 6% higher than in fiscal 2003. In June 2004, we sold our interest in UTV.

Income Taxes

The recovery of income taxes was \$10 million for the year ended August 31, 2004, compared to a provision of \$3 million for the year ended August 31, 2003. The negative effective tax rate of 11% in the year ended August 31, 2004 differed from our statutory rate of 35% as a result of the non-taxable portion of capital gains, the impact of international tax rates which are below Canadian rates and a \$20 million credit from the resolution of tax issues offset by the effect of increases in future tax rates which caused a net

increase in future tax liabilities and resulted in a \$9 million income tax expense.

Equity Interest in Network TEN

Our equity interest in earnings of Network TEN was \$100 million for the year ended August 31, 2004, compared to \$101 million in the same period in fiscal 2003 as a result of the strong performance of Network TEN as well as the strong Australian currency, as described above. Network TEN results are discussed in more detail later in this report.

Currency Translation

We recorded net losses of \$7 million related to the realization of currency translation gains related to Network TEN distributions, currency translation losses related to the repayment of inter-company loans by our New Zealand operations and the divestiture of 30% of our interest in New Zealand. This compared to a \$1 million gain in the year ended August 31, 2003.

Net Earnings from Continuing Operations

Net earnings from continuing operations for the year ended August 31, 2004 were \$194 million, or \$1.10 per share, compared to net earnings of \$115 million, or \$0.60 per share, for the year ended August 31, 2003.

Discontinued Operations

The Company has commenced a process to sell all of Fireworks Entertainment's production and distribution operations, resulting in the classification of these operating results as a loss from discontinued operations and its assets and liabilities as assets and liabilities of discontinued operations. These operations were previously classified in the Canadian Entertainment segment. Impairment charges of \$211 million, including goodwill impairment of \$31 million, were recorded to adjust the assets to their fair values based upon recent estimates less cost to dispose. Net loss from discontinued operations was \$208 million for the year ended August 31, 2004 compared to \$69 million for the same operations for the year ended

August 31, 2003. The Company expects to complete the sale of these operations within the next six months.

Net Earnings (Loss)

Net loss for the year ended August 31, 2004, including the loss from discontinued operations, was \$13 million, or \$0.08 per share, compared to net earnings of \$46

million, or \$0.22 per share, for the year ended August 31, 2003.

Fiscal 2003 Compared to Fiscal 2002

Following is a table of segmented results for the years ended August 31, 2003 and August 31, 2002, including a reconciliation of segment operating profit to operating income:

Operating Segments	Revenue		Segment operating profit	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Publishing and Online—Canada	1,208,180	1,320,262	258,496	285,027
Television				
Canada	730,407	691,888	216,346	190,752
Australia—Network TEN ¹	336,362	281,427	106,975	81,782
New Zealand	95,055	69,079	10,095	(1,938)
Ireland	32,490	28,317	9,729	7,654
Radio—New Zealand	1,194,314	1,070,711	343,145	278,250
Outdoor—Australia ¹	73,400	60,724	20,751	16,361
Corporate and other	36,656	38,074	2,560	874
	-	-	(23,213)	(26,807)
Total operating segments	2,512,550	2,489,771	601,739	553,705
Restructuring and film and television impairment expense ²	-	-	(23,305)	-
Elimination of equity accounted affiliates ¹	(373,018)	(319,500)	(99,219)	(82,656)
Total	2,139,532	2,170,271	479,215	471,049
Operating income before amortization			479,215	471,049
Amortization			95,275	98,319
Operating income			383,940	372,730

¹ Represents the Company's proportionate interest in TEN Group and its wholly owned subsidiaries.

² Includes Network TEN film and television impairment charges of \$10.3 million and Canadian media operations restructuring charges of \$13.0 million.

Effect of Divestitures

The following discussion is based on the Company's consolidated results for the year ended August 31, 2003. Comparisons with the prior year's results are affected by corporate initiatives, including the divestiture of certain newspaper publishing properties, and accordingly, the Company provides certain pro forma comparatives. Pro forma revenue, EBITDA and operating income for fiscal 2002 exclude the results of the newspaper publishing interests sold to GTC in August 2002 and exclude the results of the newspaper properties sold to Osprey Media in February 2003 for the period from February 16, 2002 to August 31, 2002.

	Revenue	Operating income before amortization	Operating income
For the year ended August 31, 2002	\$000	\$000	\$000
As reported	2,170,271	471,049	372,730
Newspaper publishing properties sold	(141,807)	(42,721)	(39,167)
Pro forma	2,028,464	428,328	333,563

CONSOLIDATED RESULTS

Revenues. We reported consolidated revenues of \$2,140 million for the year ended August 31, 2003, a decrease of \$31 million from the prior year. The decrease resulted from the sale of publishing assets. Excluding the impact of sold publishings, revenues increased by \$111 million. Revenues for 2003 reflected strong results in our Canadian television and publishing operations and our New Zealand broadcasting operations.

Operating expenses. Consolidated operating expenses (including selling, general and administrative expenses) before amortization and restructuring expenses decreased \$52 million to \$1,647 million, reflecting the publishing asset sales. Excluding the sold publishing assets, operating expenses increased \$47 million, or 3%, from \$1,600 million in the previous year, reflecting expense increases in our publishing and online operations.

Restructuring charge. We recorded a restructuring charge of \$13 million related to employee severance expenses associated with the restructuring of our Canadian media operations in fiscal 2003. The restructuring charge affected the following operating segments: Canadian television - \$3 million, Canadian publishing and online - \$9 million and corporate and other - \$1 million.

Operating income before amortization. Consolidated operating income before amortization increased by 2% to \$479 million in fiscal 2003 from \$471 million in fiscal 2002. Excluding the impact of the sold publishing assets, operating

income before amortization increased by 12%. Substantial increases at broadcast operations in Canada, New Zealand and Ireland as well as in publishing and online operations were partially offset by restructuring expenses.

Amortization. Amortization of intangibles was \$18 million in both 2003 and 2002. Amortization of property and equipment decreased to \$71 million in fiscal 2003 from \$74 million in the previous year, reflecting the sale of the publishing assets.

Operating income. Operating income increased from \$373 million in fiscal 2002 to \$384 million in fiscal 2003.

SEGMENT RESULTS

Canadian Publishing and Online

- **Revenues.** Segment revenues for fiscal 2003 declined from \$1,320 million in fiscal 2002 to \$1,208 million in fiscal 2003. The decline primarily reflects the sale of publishing assets. Excluding the revenues of the sold papers, revenues increased by 3%. Newspaper advertising was bolstered by robust activity in the automotive and technology sectors through the second half of the fiscal year. Advertising and circulation comprised 76% and 21%, respectively, of our newspaper revenues for fiscal 2003, consistent with the prior year.
- **Operating expenses.** Segment operating expenses (including selling, general and administrative expenses) declined from \$1,035 million in fiscal 2002 to \$950 million in fiscal 2003, reflecting the sale of publishing assets. Excluding expenses attributable to the sold publishing assets, segment operating expenses increased

by 1%. This reflects normal cost escalations, particularly payroll and moderate increases in the price of newsprint.

- **Segment operating profit.** Segment operating profit declined from \$285 million in fiscal 2002 to \$258 million in fiscal 2003, reflecting the sale of publishing assets. Excluding the results of the sold newspapers, segment operating profit increased by 7%. Our online operations achieved a significant improvement in fiscal 2003, and for the first time recorded positive operating profit of just under \$1 million, compared to losses of \$4.5 million the previous year. The online properties are now more closely aligned with other media properties and are contributing to overall profitability.
- **Restructuring expenses.** Restructuring expenses of \$9 million were incurred in respect of this segment in fiscal 2003 related to the restructuring of our Canadian media operations. This charge consists of \$9 million in employee severance costs. These charges are not reflected in segment operating profit.

Canadian Television

- **Revenues.** Segment revenues were up by 6% to \$730 million from \$692 million recorded in the previous year, reflecting in part the strength of the Canadian television advertising market. Revenues at conventional television operations and at Global Prime increased by 5% in fiscal 2003 compared to fiscal 2002. Our six digital specialty channels saw revenues double to \$9 million in fiscal 2003, their second full year of operation. Our portfolio of digital channels continue to perform well relative to their peers, steadily gaining

subscribers. Subsequent to year-end we launched a seventh channel, CoolTV.

- *Operating expenses.* Segment operating expenses (including selling, general and administrative expenses) increased by 3% to \$514 million in fiscal 2003, compared to \$501 million in fiscal 2002. The increase primarily reflects nominal inflationary increases and costs related to the start up of CoolFM. Programming expenses were consistent with the previous year.
- *Segment operating profit.* As a result of revenue increases and expense control, our Canadian television segment operating profit increased 13% to \$216 million in fiscal 2003.
- *Restructuring expenses.* Restructuring expenses of \$3 million were incurred in respect of this segment in fiscal 2003, consisting of employee severance costs related to the restructuring of our Canadian media operations. These charges are not reflected in segment operating profit.

Australian Television

Segment operating revenues increased by \$55 million to \$336 million in fiscal 2003, reflecting significant ratings gains for Network TEN's prime time schedule in its target demographic of 16–39 year olds and significant ratings gains related to Network TEN's acquisition of key sports properties. Segment operating expenses increased by \$30 million, primarily reflecting higher programming expenses for sports and other programming. Segment operating profit increased by \$25 million, or 31%, to \$107 million, as the revenue gains more than offset the increase in operating expenses. Results from Australia were converted at an average exchange rate of 0.8893, an increase of 7% over the prior year's rate of exchange.

New Zealand Television

Revenues from television broadcast operations for New Zealand's 3 and TV4 television networks increased by 38% to \$95 million for fiscal 2003 from \$69 million the previous year. In local currency, revenues increased by 22% compared

to fiscal 2002. Segment operating profit also improved, to \$10 million for fiscal 2003 compared to a loss of \$2 million in fiscal 2002. Results from New Zealand were translated at an average exchange rate of 0.7957, an increase of 15% over the prior year's rate of exchange. A combination of factors contributed to the improved results, including higher ratings, improved advertising market conditions and higher prices for advertising. A stronger New Zealand dollar also helped to reduce the cost of imported programming. In October 2003, TV4 was relaunched as C4 with a youth music format.

Irish Television

Our 45% share of revenues at TV3 in the Republic of Ireland increased 15% to \$32 million in fiscal 2003 from \$28 million the previous year. Our share of TV3's segment operating profit was \$10 million, up from \$8 million the previous year.

New Zealand Radio

RadioWorks continued its steady performance, increasing revenues and segment operating profit. Revenue grew by 21% to \$73 million in fiscal 2003 from \$61 million the previous year. Segment operating profit grew by 27% to \$21 million in fiscal 2003 from \$16 million in the previous year.

Outdoor

Segment operating profit improved to \$3 million in fiscal 2003 from \$1 million in fiscal 2002, primarily reflecting lower operating expenses.

Corporate and Other

Corporate and other segment expenses decreased by 13% to \$23 million in fiscal 2003 from \$27 million in fiscal 2002. In addition, restructuring expenses of \$1 million were incurred in fiscal 2003 in respect of this segment, consisting of employee severance costs.

Financing Costs

Financing costs, including amortization of deferred financing costs, were \$361 million for fiscal 2003, compared to \$361 million in the previous year.

Investment Gain (Loss)

In fiscal 2003, we had investment gains of \$9 million, primarily as a result of the gain on the sale of community newspapers of \$21 million, offset by the loss on the sale of our common share holdings in SBS Broadcasting S.A. of \$11 million. We recorded a \$23 million loss equivalent to the fair value of interest rate swaps related to debt that was repaid during fiscal 2003. Dividend income of \$4 million from UTV was consistent with fiscal 2002.

Income Taxes

The provision for income taxes was \$3 million in fiscal 2003, compared to \$6 million in fiscal 2002.

Interest in Earnings of Network TEN

Our interest in earnings of Network TEN was \$101 million in fiscal 2003 compared to a loss of \$12 million in fiscal 2002. Network TEN's operating income before amortization increased to \$173 million for fiscal 2003 compared to \$144 million for fiscal 2002. In fiscal 2003, Network TEN recorded a charge of \$18 million related to program inventory write-downs, and a recovery of future taxes of \$56 million primarily as a result of new tax consolidation legislation in Australia. In fiscal 2002, Network TEN recorded an investment write-down of \$17 million, a charge for Eye Corp. goodwill impairment of \$56 million and a charge related to the resolution of a taxation issue of \$30 million. For fiscal 2003, results from Network TEN were translated at an average exchange rate which is 7% higher than the average rate of translation used in fiscal 2002.

Net Earnings from Continuing Operations

Net earnings from continuing operations for the year ended August 31, 2003 were \$115 million, or \$0.60 per share, compared to net earnings from continuing operations of \$31 million, or \$0.17 per share, for the year ended August 31, 2002.

Discontinued Operations

In fiscal 2004, we commenced a process to sell all of our Fireworks Entertainment production and distribution operations.

MD&A

FOR THE YEAR ENDED AUGUST 31, 2004

As a result, we have classified these operating results as losses from discontinued operations and the related assets and liabilities as assets and liabilities of discontinued operations with restatement of prior periods. These operations were

previously classified in the Canadian Entertainment segment. Net loss from discontinued operations was \$69 million for the year ended August 31, 2003, compared to \$18 million for the same operations for the year ended August 31, 2002.

Net Earnings

Net loss for the year ended August 31, 2003, including the loss from discontinued operations, was \$46 million, or \$0.22 per share, compared to net earnings of \$13 million, or \$0.07 per share, for the year ended August 31, 2002.

CONSOLIDATED QUARTERLY FINANCIAL RESULTS

2004	31-Aug	31-May	28-Feb	30-Nov
Revenue	469,607	575,768	499,709	567,950
Operating profit before amortization	58,316	143,139	91,451	153,682
Amortization of intangibles	4,375	4,375	4,375	4,375
Amortization of property, plant, equipment and other	16,191	20,645	19,671	19,707
Interest in earnings of TEN	22,724	20,573	17,699	38,893
Net earnings (loss) from continuing operations	59,767	52,475	(1,535)	83,592
Net earnings (loss)	61,966	54,337	(211,277)	81,496
Cash flow from continuing operating activities	149,731	21,103	174,265	(33,345)
Cash flow from operating activities	151,989	45,062	165,366	(34,672)
Net earnings (loss) from continuing operations per share				
Basic	\$0.34	\$0.30	(\$0.01)	\$0.47
Diluted	\$0.34	\$0.30	(\$0.01)	\$0.47
Net earnings (loss) per share				
Basic	\$0.35	\$0.31	(\$1.19)	\$0.46
Diluted	\$0.35	\$0.31	(\$1.19)	\$0.46
2003	31-Aug	31-May	28-Feb	30-Nov
Revenue	464,378	569,600	507,948	597,606
Operating profit before amortization	66,323	141,084	96,920	174,888
Amortization of intangibles	4,375	4,375	4,375	4,375
Amortization of property, plant, equipment and other	17,839	18,698	20,771	20,467
Interest in earnings of TEN	52,250	12,428	10,884	25,777
Net earnings from continuing operations	8,040	26,059	12,810	67,889
Net earnings (loss)	(44,712)	12,484	9,881	68,435
Cash flow from continuing operating activities	99,388	49,447	179,160	(40,087)
Cash flow from operating activities	96,052	64,338	171,359	(100,959)
Net earnings from continuing operations per share				
Basic	\$0.05	\$0.15	\$0.03	\$0.38
Diluted	\$0.05	\$0.15	\$0.03	\$0.36
Net earnings (loss) per share				
Basic	(\$0.25)	\$0.07	\$0.01	\$0.39
Diluted	(\$0.25)	\$0.07	\$0.01	\$0.36

Effect of Divestitures

Quarterly results for the two years ended August 31, 2004 were affected by the sale of community newspapers in February 2003.

Seasonality

The Company's advertising revenues are seasonal. Revenues are highest in the first and third quarters, while expenses are relatively constant throughout the year.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED AUGUST 31, 2004

Following is a table of segmented results for the three months ended August 31, 2004 and August 31, 2003, including a reconciliation of segment operating profit to operating income:

	Revenue		Segment operating profit	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Operating Segments				
Publishing and Online—Canada	280,807	276,290	53,348	51,986
Television				
Canada	130,590	136,946	(20)	9,513
Australia—Network TEN ¹	99,284	90,366	33,054	29,511
New Zealand	29,682	26,426	5,630	3,032
Ireland	7,110	5,970	1,712	1,078
Total Television	266,666	259,708	40,376	43,134
Radio—New Zealand	21,418	18,746	6,544	5,583
Outdoor—Australia ¹	11,301	8,715	2,330	454
Corporate and other	-	-	(6,453)	(6,016)
Total operating segments	580,192	563,459	96,145	95,141
Restructuring expenses			(2,445)	(9,169)
Elimination of equity accounted affiliates ¹	(110,585)	(99,081)	(35,384)	(19,649)
Total	469,607	464,378	58,316	66,323
Operating income before amortization			58,316	66,323
Amortization expense			(20,566)	(22,214)
Operating income			37,750	44,109

¹ Represents the Company's 56.6% proportionate interest in Network TEN and its wholly owned subsidiaries.

CONSOLIDATED RESULTS

Revenues. Consolidated revenues increased by \$5 million, or 1%, to \$470 million for the three months ended August 31, 2004, from the consolidated revenues reported for the same period in fiscal 2003. Revenues for the fourth quarter reflected solid increases in revenues from international media operations, a 2% increase in Canadian Publishing and Online revenues offset by a 5% decrease in Canadian Television revenues.

Operating expenses. Consolidated operating expenses (including selling, general and administrative expenses) before amortization increased \$10 million, or 2%, to \$409 million. This increase reflects moderate expense increases in all operations.

Restructuring expense. We recorded a restructuring expense of \$2 million in the three months ended August 31, 2004 related to restructuring of our Canadian television operations.

Operating income before amortization. Consolidated operating income before amortization decreased by 12% to \$58 million from \$66 million for the same period last year. The increase in operating income before amortization reflected significant declines in operating income before amortization in Canadian Television, partially offset by increases at broadcast operations in New Zealand and in Publishing and Online operations, as well as the effect of the \$2 million restructuring expense recorded in the three months ended August 31, 2004.

SEGMENTED RESULTS**Publishing and Online**

- **Revenue.** Publishing and Online revenues for the fourth quarter of fiscal 2004 were \$281 million compared to revenues of \$276 million in same period the previous year. Advertising revenues increased by 1% for the fourth quarter, reflecting small decreases in volumes offset by higher rates. While circulation numbers

were down marginally, circulation revenue increased as a result of increased revenue per copy. Circulation comprised approximately 21% of total revenues for the newspaper group for the fourth quarter, consistent with the same period for the prior year.

- **Operating expenses.** Compared to the same period last year, operating expenses (including selling, general and administrative expenses) of our Publishing and Online operations increased by \$3 million, or 1%, to \$227 million from \$224 million. This reflected cost reductions resulting from restructuring activities undertaken in the latter part of fiscal 2003, partially offset by normal salary escalations, and increases in certain administrative costs. Newsprint expenditures were 1% less in the three months ended August 31, 2004 than in the same period the prior year, reflecting a marginal increase in the cost of newsprint offset by reduced consumption.
- **Segment operating profit.** As a result of increased revenues and cost containment, our Publishing and Online operations achieved an increase of \$1 million, or 3%, in segment operating profit to \$53 million for the three months ended August 31, 2004 compared to \$52 million for the same period last year.

Canadian Television

- **Revenues.** In total, revenues from our Canadian Television operating segment of \$131 million were \$6 million, or 5%, lower than the \$137 million recorded in the same period in fiscal 2003. This reflected a 7% decrease in advertising revenues partially offset by increases in subscription revenues from our specialty television operations.

CanWest's conventional television revenues for the fourth quarter were 5% below the prior year as a result of reduced advertising sales. This represented an improvement over the results in the first half of the year, where revenues were 9% lower than in the first six months of fiscal 2003.

Revenues from the Company's seven digital specialty channels increased

by 33% to \$2 million in the fourth quarter compared to the same period in the previous year.

- **Operating expenses.** Operating expenses (including selling, general and administrative expenses) of \$131 million at Canadian Television operations were \$3 million, or 2%, higher than in the same period the prior year. Expenses related to the digital specialty channels increased by \$2 million primarily as a result of the launch of CoolTV in the first quarter of 2004.
- **Segment operating profit.** Canadian Television segment operating profit decreased to a break even for the fourth quarter of fiscal 2004 compared to \$10 million in the fourth quarter of fiscal 2003.
- **Restructuring expenses.** Restructuring expenses of \$2 million were recorded for this segment for the three months ended August 31, 2004 related to the centralization of master control and traffic operations. These charges are not reflected in segment operating profit.

Australian Television

- **Revenues.** Segment revenues increased by 10% to \$99 million for the three months ended August 31, 2004, from \$90 million during the same period in the prior year. In domestic currency, revenues increased 6%, reflecting TEN's strong rating performance in a continuing strong television advertising environment. The strength of the Australian currency contributed an additional 4% on translation to Canadian dollars.
- **Operating expenses.** Segment operating expenses increased 9% to \$66 million for the three months ended August 31, 2004 compared to \$61 million for the same period in fiscal 2003, reflecting a strengthening Australian currency as well as increased programming costs.
- **Segment operating profit.** Segment operating profit increased by 12% to \$33 million for the fourth quarter of 2004, compared to \$30 million in the same period in fiscal 2003.

New Zealand Television

Revenues from television broadcast

operations for New Zealand's 3 and C4 television networks increased by 12% to \$30 million for the fourth quarter of fiscal 2004 from \$26 million for the same period in fiscal 2003. In local currency, revenues increased by 5%, reflecting growth in the advertising market. C4 was re-launched in the first quarter of fiscal 2004 as New Zealand's first free-to-air music channel and is contributing increased revenues. The strengthening New Zealand currency contributed an additional 7% on translation to Canadian dollars. Operating expenses increased by 3% to \$24 million, primarily as a result of reduced programming expenses. New Zealand 3 and C4 produced segment operating profit of \$6 million, a \$3 million increase from the results recorded in the fourth quarter of 2003.

Irish Television

Our 45% share of revenues at TV3 in the Republic of Ireland increased by 19% to \$7 million in the fourth quarter of fiscal 2004 compared to the fourth quarter of fiscal 2003. Our share of TV3's segment operating profit increased by \$1 million to \$2 million as compared to the same period in fiscal 2003.

New Zealand Radio

CanWest RadioWorks continued its steady performance, increasing revenues and segment operating profit for the three months ended August 31, 2004. Revenue grew by 14% to \$21 million from \$19 million during the fourth quarter of the previous year, reflecting a 7% increase in revenue in domestic currency and an additional 7% increase as a result of currency translation. Segment operating profit grew by 17% to \$7 million for the three months ended August 31, 2004 from \$6 million for the same period the previous year.

Outdoor Advertising

Segment revenues increased by \$3 million, or 30%, to \$11 million for the three months ended August 31, 2004 from \$9 million for the fourth quarter in fiscal 2003. This increase reflected 26% growth

in revenue in domestic currency with a further 4% increase as a result of currency translation. Our segment operating profit from TEN's Outdoor Advertising operations increased by \$2 million to \$2 million as compared to the fourth quarter in fiscal 2003.

Amortization

Amortization of intangibles was \$4 million in the third quarter of both fiscal 2004 and 2003. Amortization of property and equipment decreased to \$15 million from \$16 million for the fourth quarter of fiscal 2004 compared to the fourth quarter of fiscal 2003.

Financing Costs

Interest expense was \$73 million for the three months ended August 31, 2004 compared to \$84 million in the previous year, reflecting a reduced level of debt as well as reduced interest rates achieved through our refinancing activities in fiscal 2003 and fiscal 2004.

Interest Rate and Foreign Currency Swap Loss

For the three months ended August 31, 2004, we recorded a \$101 million loss equivalent to the change in fair value of interest rate and foreign currency and interest rate swaps on debt that has been retired. This compared to a loss of \$9 million for the fourth quarter of fiscal 2003.

Foreign Exchange Gains

We recorded net foreign exchange gains of \$41 million in the three months ended August 31, 2004, compared to \$5 million for the same period in fiscal 2003. \$36 million of this gain arose on the extinguishment of U.S. dollar debt.

Investment Income

For the three months ended August 31, 2004, we recorded investment income of \$113 million, compared to a loss of \$11 million for the same period the previous year. The gain in 2004 was primarily related to a gain on sale of UTV shares of \$52 million, a gain of \$66 million related to our New Zealand IPO,

partially offset by the write-down of deferred financing costs of \$5 million.

Income Taxes

Our income tax recovery was \$23 million for the three months ended August 31, 2004, compared to a recovery of \$13 million in the same period of fiscal 2003. The negative effective tax rate of 116% was below the Company's statutory rate of 35% as a result of the effect of non-taxable capital gains, utilization of losses for which tax recoveries were not recorded and the impact of international tax rates which were lower than Canadian rates.

Currency Translation Adjustments

We recorded losses of \$5 million, primarily associated with the realization of currency translation adjustments related to the repayment of inter-company loans by our New Zealand operations. This compared to a gain on realization of currency translation adjustments of \$0.2 million in the fourth quarter of fiscal 2003.

Interest in Earnings of Network TEN

Our equity interest in earnings of Network TEN was \$23 million for the fourth quarter of fiscal 2004 compared to \$52 million in fiscal 2003 as a result of the strong performance of Network TEN, as well as the strong Australian currency performance, as described above.

Net Earnings from Continuing Operations

Our net earnings from continuing operations for the three months ended August 31, 2004 were \$60 million, or \$0.34 per share, compared to net earnings of \$8 million, or \$0.05 per share, for the three months ended August 31, 2003.

Discontinued Operations

We have commenced a process to sell all of our Fireworks Entertainment production and distribution operations, resulting in the classification of these operating results as earnings (loss) from discontinued operations and its assets and liabilities as assets and liabilities of discontinued operations. These operations were previously classified in the Canadian

Entertainment segment. Net earnings from discontinued operations were \$2 million for the three months ended August 31, 2004 compared to a loss of \$53 million for the same operations for the three months ended August 31, 2003. We expect to complete the sale of these operations within the next six months.

Net Earnings

Our net earnings for the three months ended August 31, 2004, including the earnings from discontinued operations, were \$62 million, or \$0.35 per share, compared to a net loss of \$45 million, or \$0.25 per share, for the fourth quarter of fiscal 2003.

LIQUIDITY AND CAPITAL RESOURCES Overview

Our principal uses of funds are for capital expenditures and repayment of debt. We have historically met these requirements by using cash generated from operating activities and through short-term and long-term debt. We believe these sources of funds, together with our cash on hand, will continue to be adequate to meet our currently anticipated capital requirements.

We also review acquisition and investment opportunities in the course of our business and will, if a suitable opportunity arises and is permitted by the terms of our debt instruments, make selected acquisitions and investments to implement our business strategy. We expect that the funding for any such acquisitions or investments would come from working capital, borrowing under our credit facility or future credit facilities, additional equity and debt financing, entering into joint ventures or a combination of these methods. Similarly, from time to time, we review opportunities to dispose of non-core assets, and may, if a suitable opportunity arises, sell certain non-core assets.

For fiscal 2005, our major non-operating cash requirements include expected capital expenditures of approximately \$90 million, swap recouping payments as discussed below in swap

transactions, and repayment of \$10 million in principal payments on long-term debt due in 2004 and 2005, assuming we refinance \$22 million in TV3 Ireland debt at its maturity in December 2004. We expect to meet our cash needs for fiscal 2005 primarily through a combination of operating cash flow and cash on hand.

Sources of Funds

Our principal sources of liquidity are cash and cash equivalents on hand and cash flows from operating activities. At August 31, 2004, we had cash on hand of \$81 million. We generated cash flows from operating activities of \$328 million in fiscal 2004 and \$231 million in fiscal 2003. This amount includes cash distributions from Network TEN of \$105 million in fiscal 2004 and \$33 million in fiscal 2003. As a result of dividends declared by Network TEN in June 2004, we are entitled to receive \$37 million in December 2004. In addition, we expect to receive additional distributions from Network TEN in December 2004 and July 2005.

In addition to the above sources of liquidity, we had unused borrowing capacity under our revolving credit facility of \$413 million at August 31, 2004.

Investing Activities

In fiscal 2004, we received proceeds of \$144 million on the sale of our shares in UTV. In addition, we received net proceeds of \$83 million from the New Zealand IPO and we received \$168 million through new financing in New Zealand. Proceeds from the sales and refinancing in New Zealand, amounting to \$395 million in total were applied to our Senior Credit facility. Repayments of an additional \$235 million were made from our operating cash flow.

Uses of Funds

Capital Expenditures

In fiscal 2004, our capital expenditures amounted to \$53 million. We also invested \$6 million in the acquisition of new FM radio frequencies related to our New Zealand radio operations. In fiscal 2005,

we expect to increase our capital expenditure budget to approximately \$90 million. This amount includes an \$18 million investment in a new broadcast traffic and sales management system, \$8 million for a new classified system to support our Canadian publishing operations and approximately \$9 million to support the growth of our online operations, as well as expenditures for regular replacement.

Swap Transactions

Under our credit facility, we are required to maintain the fair value of our foreign currency and interest rate swaps above a prescribed minimum liability (\$500 million at August 31, 2004; subsequent to year end this increased to \$600 million). In addition, there are prescribed minimums with individual counterparties. Under these agreements, which have two-way recouping provisions, we were required to make net recouping payments of \$28 million in the year ended August 31, 2004. Subsequent to year end, we were required to make further recouping payments of \$137 million. Further strengthening of the Canadian currency and/or declining interest rates may result in further prepayment requirements.

Debt

General

At August 31, 2004, we had total outstanding debt of \$2,872 million, including junior subordinated notes payable of \$881 million. For additional information concerning our indebtedness, see note 9 to our audited consolidated financial statements for the year ended August 31, 2004.

Credit Facility

Total credit available under our senior secured credit facility was \$1,078 million as of August 31, 2004, of which we had drawn \$665 million. The facility includes revolving and non-revolving tranches with terms ranging from two and a half to five years. The credit facility is collateralized by substantially all of our assets.

Total leverage as calculated under our credit facility was 3.61 times cash flow for debt covenant purposes for the

twelve months ended August 31, 2004, compared to a covenant of 6.0 times. The total debt covenant will remain at 6.0 times until it decreases to 5.75 times for May 31, 2006 and 5.50 times for February 28, 2007.

Refinancing of Junior Subordinated Notes

In November 2004, we successfully completed the refinancing of our Junior Subordinated notes. These notes were issued to Hollinger as consideration for the purchase of our publishing operations

in November 2000. Interest obligations under these notes to November 2005 were payable via the issuance of additional notes. The \$903 million (including accrued interest to November 18, 2004) 12 1/8% notes due November 2000 were effectively settled through the issuance of \$908 million (US\$761 million) in senior subordinated notes due 2012. The premium on the old notes will be expensed in our first quarter of 2005. The new notes carry an interest rate coupon of 8% which will be settled in cash on a semi annual basis,

and will result in annual interest savings of approximately \$46 million.

The new notes will form part of total debt for covenant purposes. Our total leverage under our senior secured credit facility would have been 5.4 times if these notes had been issued as at August 31, 2004.

Maturity Profile of Long-Term Debt

The following table summarizes the expected maturity profile of our long-term debt at August 31, 2004.

Year ending August 31,	Principal Amount (thousands of dollars)
2005	31,712
2006	9,726
2007	10,671
2008	10,546
2009	921,583
thereafter	1,888,065

The provisions of the credit facility require that, for fiscal years in which the credit rating for the credit facility is below a prescribed level, we must make a prepayment of our credit facility equal to 50% of our free cash flow, as defined under the facility, for such fiscal year subject to certain limitations. We were required to make a prepayment of \$42 million in January 2004 in respect of fiscal 2003. In fiscal 2004, we made a voluntary prepayment, the result of which we will not be required to make a prepayment under this provision in respect of fiscal 2004.

Contractual Obligations and Commitments

The Company's obligations under firm contractual arrangements, including commitments for future payments under long-term debt arrangements, operating lease arrangements, purchase commitments and other long-term liabilities as at August 31, 2003 are summarized below.

	Payments due by period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	Thereafter
	\$000	\$000	\$000	\$000	\$000
Long-term debt	2,872,303	31,712	20,397	932,129	1,888,065
Operating leases	153,942	27,554	46,156	34,668	45,564
Purchase obligations ¹	652,451	329,853	237,774	84,592	232
Other long-term liabilities	323,049	10,454	87,977	135,698	88,920
Total	4,001,745	399,573	392,304	1,187,087	2,022,781

Purchase obligations represent an estimate of our contractual commitments to purchase broadcast rights and to make investments in television programs, our estimated pension funding obligations, as well as our management services agreement with The Ravelston Corporation Limited.

FINANCIAL INSTRUMENTS

Our primary market risk exposures are interest rate and foreign exchange rate risk. We are exposed to interest rate risk and foreign exchange rate fluctuations resulting from the issuance of floating rate debt and debt denominated in U.S. dollars. In addition to monitoring the ratio of fixed rate debt to total long-term debt, we use interest rate swaps to manage the proportion of total debt that is subject to variable rates. Cross currency swaps are used to hedge both the interest rate and the currency exposure on debt originally issued in U.S. dollars. We do not enter into any derivatives for trading purposes.

We have fully hedged the currency exposure on our U.S. dollar denominated debt with the exception of senior and senior subordinated notes in the amount of US\$42 million, and have fixed the interest rate of 100% of our floating rate debt by entering into a combination of cross currency swaps and interest rate swaps.

As of August 31, 2004, we have entered into interest rate swap contracts to pay fixed rates of interest (at an average rate of 8.28%) and receive floating rates of interest (at an average rate of 4.16%) on a notional amount of \$528 million. We have entered into pay fixed receive floating cross currency swap contracts at an average rate of 6.63% on a notional amount of \$1,062 million and receive floating rates of 4.0% on a notional amount of US\$686 million. We have also entered into pay floating receive fixed cross currency swap contracts at an average floating rate of 6.62% on a notional amount of \$954 million and an average fixed rate of 9.7% on a notional amount of US\$625 million.

Based on the current swap contracts outstanding and the current level of variable rate debt, we estimate that a 1% increase in floating interest rates will increase annual interest expense by \$9.5 million.

This estimate is based on the assumption of a constant variable rate debt and swap level and an immediate rate increase with no subsequent rate changes in the remaining term to maturity.

The fair value of the swap contracts represents an estimate of the amount that we would receive or pay if the contracts were closed out at a market price on the balance sheet date. As of August 31, 2004, our outstanding swap contracts were in a net unrealized loss position of \$432 million.

Unrealized gains related to foreign exchange on U.S. dollar denominated debt amounted to \$244 million as at August 31, 2004.

As of August 31, 2004, assuming all other variables are held constant, a 10 basis point parallel upward shift in the Canadian and U.S. fixed yield would result in a \$0.4 million improvement in the mark to market value of all swaps. A \$0.001 change in the value of the Canadian dollar against the U.S. dollar, assuming all other variables are held constant, would result in a \$1.6 million change in the mark to market value of the cross currency swaps.

In November 2004, we entered into swaps related to our new \$908 million notes to pay floating rates of approximately 7% (at November 18, 2004) on C\$908 million and receive 8% fixed on a notional amount of US\$761 million.

Adjusted to include the new debt and related swaps, a 1% increase in floating rates would increase our annual interest expense by \$18.6 million. Further, assuming all other variables are constant, a 10 basis point increase in the Canadian/U.S. fixed yield would result in a \$5 million deterioration in the fair value of our swaps.

NETWORK TEN

The Company has a 56.6% economic interest in TEN Group, one of Australia's three private sector-owned national

television broadcast networks. While TEN Group's results are not consolidated into the Company's financial statements, the Company receives interest payments under TEN Group's outstanding subordinated debentures, all of which are owned by the Company and dividend payments in respect of the TEN Group shares owned by the Company.

Set forth below is a discussion of TEN Group's results of operations without giving effect to the Company's proportionate interest in TEN Group.

Fiscal 2004 Compared to Fiscal 2003

Network TEN television operations in Australia reported the third consecutive record year in terms of revenues and operating profit as a result of increased advertising revenues due primarily to its strong programming schedule. Total revenues increased by 14% to A\$752 million, from A\$661 million the previous year.

Operating expenses of the Australian television operation increased by A\$33 million, or 7%, to A\$484 million for the year ended August 31, 2004, from A\$450 million in the previous year. This was the result of an increase in program costs and licence fees.

Operating income before amortization and write down of program inventory at the broadcasting operations increased by A\$57 million, or 27%, to A\$268 million for the year ended August 31, 2004, from A\$211 million for the same period in the previous year.

Revenues from Eye Corp., TEN's out-of-home operation, increased by A\$8 million, or 11%, to A\$80 million for the year ended August 31, 2004, from A\$72 million the previous year. This increase reflects strong media sales.

Operating expenses at Eye Corp. decreased by 3% to A\$65 million, from A\$67 million the previous year, as a result of the removal of unprofitable concessions

and a focus on cost containment. Operating income before amortization of Eye Corp. increased to A\$15 million from A\$5 million the previous year.

In 2003, Network TEN recorded an A\$20 million write-down of program inventory to fair value.

Financing expenses, excluding interest in respect of subordinated debentures, was A\$29 million in fiscal 2004 compared to A\$27 million in fiscal 2003.

Network TEN recorded an income tax provision of A\$45 million in 2004, compared to an income tax recovery of A\$61 million in fiscal 2003. As a result of a ruling by the Australian tax authority, effective June 2004, Network TEN can no longer deduct interest expenses related to the subordinated debentures. The tax recovery in fiscal 2003 resulted from the introduction of a new tax consolidation regime in Australia and the consequent impact on future income taxes.

Network TEN's earnings, excluding interest in respect of subordinated debentures, decreased to A\$194 million for the year ended August 31, 2004, from A\$212 million in the previous year.

Fiscal 2003 Compared to Fiscal 2002

Network TEN television operations in Australia reported the second consecutive record year in terms of revenues and operating profit after significant ratings gains for its prime time schedule in both its target demographics of 16–39 year olds and 24–54 year olds and significant gains related to TEN's successful acquisition of key sports properties. Total revenues increased by 13% to A\$661 million, from A\$587 million the previous year.

Operating expenses of the Australian television operation increased by A\$34 million, or 8%, to A\$450 million for the year ended August 31, 2003, from A\$416 million in the same period in the previous year. The increase reflected the investment

in a winning program strategy that included sports programming with wide audience appeal, such as the Australian Football League games, including the AFL Grand Final.

Operating income before amortization and write-down of program inventory at the broadcasting operations increased by A\$39 million, or 23%, to A\$211 million for the year ended August 31, 2003, from A\$172 million for the same period in the previous year. Revenues from Eye Corp., TEN's out-of-home operation, decreased by A\$8 million, or 10%, to A\$72 million for the year ended August 31, 2003, from A\$80 million the previous year.

Operating expenses at Eye Corp. decreased by 14% to A\$67 million, from A\$78 million the previous year. Operating income before amortization of Eye Corp. increased to A\$5 million from A\$2 million the previous year.

In 2003, TEN Group recorded an A\$20 million write-down of program inventory to fair value.

Financing expenses, excluding interest in respect of subordinated debentures, was A\$27 million in 2002 and 2003.

TEN Group recorded an income tax recovery of A\$61 million in 2003, compared to an income tax provision of A\$71 million in 2002. The current year's recovery resulted in the introduction of a new tax consolidation regime in Australia and the consequent impact on future income taxes.

TEN Group's earnings, excluding interest in respect of subordinated debentures, increased to A\$212 million for the year ended August 31, 2003, from a loss of A\$23 million in the previous year.

RELATED PARTY TRANSACTIONS

Senior subordinated notes held by CanWest Communications Corporation, the parent company of CanWest Global Communications Corp., totaled \$55.0

million (US\$41.9 million) at August 31, 2004 (2003–\$58.1 million). This debt, issued in May 2001, matures May 15, 2011 and bears interest at 10.625%. Interest expense related to this debt totaled \$6.3 million in fiscal 2004 (2003–\$6.4 million). During 2003, CanWest Communications Corporation exchanged these Canadian dollar denominated notes for United States dollar denominated notes. The exchange was completed pursuant to the provisions of the original note indenture.

In June 2003, a company in which an affiliate of CanWest Communications Corporation holds a 50% interest acquired the TD Centre in Winnipeg, Manitoba, a building in which the Company is a tenant. Rent paid to this company in fiscal 2004 amounted to \$1.1 million (2003–\$0.2 million).

Differences Between Canadian GAAP and U.S. GAAP

The preceding discussion and analysis has been based upon financial statements prepared in accordance with Canadian GAAP, which differs in certain respects from United States GAAP. The significant differences relevant to the Company are discussed in detail in note 25 of Notes to the Consolidated Financial Statements for the years ended August 31, 2004 and August 31, 2003.

OTHER

Share Data

As at November 24, 2004, we had the following number of shares outstanding:

Multiple voting shares	76,785,976
Subordinate voting shares	99,052,678
Non-voting shares	1,441,965

Our AIF is filed on SEDAR at www.sedar.com.

DISCLOSURE STATEMENT

Comparison of NYSE Corporate Governance Rules required to be followed by U.S. Domestic Issuers and the Corporate Governance Practices of CanWest Global Communications Corp.

CanWest is a Canadian corporation whose shares are listed on both the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE). For purposes of our NYSE listing, CanWest is considered to be a "foreign private issuer". This means that CanWest is not required to comply with most of the corporate governance listing standards set out in the NYSE's Listed Company Manual (NYSE Rules). However, CanWest's corporate governance system incorporates a number of best practices contained in the NYSE Rules, and is in compliance with applicable rules adopted by the Securities Exchange Commission (SEC) to give effect to the Sarbanes-Oxley Act of 2002.

As required by the NYSE Rules, the following summarizes the significant ways in which CanWest's corporate governance practices differ from those required to be followed by U.S. domestic issuers under the NYSE Rules:

- Section 303A.04 of the NYSE Rules provides that listed companies must have a nominating/corporate governance committee composed entirely of independent directors. CanWest currently has a Governance and Nominating Committee that consists of the entire Board of Directors of CanWest, not all of whom would be considered independent within the meaning of the NYSE Rules. As CanWest is a controlled company within the meaning of the NYSE Rules, it would not be required to comply with this requirement in any event, provided it made appropriate disclosure of that fact. However, CanWest has agreed, on a going-forward basis, to have only three members on its Governance and Nominating Committee, all of whom it is expected will be independent within the meaning of the NYSE Rules.
- Section 303A.08 of the NYSE Rules requires shareholder approval of all equity compensation plans and material revisions to such plans, subject to limited exceptions. CanWest follows the rules of the TSX with respect to requirements for shareholder approval of equity compensation plans and material revisions to such plans. The TSX rules currently require shareholder approval only in certain circumstances.

Copies of the CanWest Board Mandate, Committee Charters and Corporate Code of Ethics are available at www.canwestglobal.com.

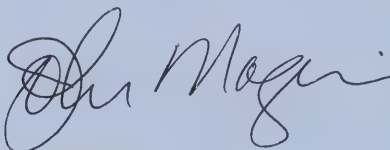
MANAGEMENT'S REPORT TO SHAREHOLDERS

The accompanying financial statements were prepared by the management of the Company, which is responsible for the integrity and objectivity of the information contained therein. The statements have been prepared by qualified personnel in accordance with policies and procedures established by management. The Company's procedures and related internal control systems are designed to provide assurance that accounting records are reliable and to safeguard the Company's assets.

In management's opinion, the consolidated financial statements fairly reflect the financial position of the Company, the results of its operations and cash flow, and are prepared in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP, as the Company's external auditors, have audited the consolidated financial statements, and their report can be found on page 34. Their opinion is based upon an examination conducted in accordance with generally accepted auditing standards in Canada and a review of certain of the Company's accounting policies and procedures and internal control systems. Based upon the evaluation of these systems, the external auditors conduct appropriate tests of the Company's accounting records and obtain sufficient audit evidence to provide reasonable assurance that the financial statements are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles.

The Audit Committee, none of the members of which are officers of the Company, meets at various times throughout the year and reviews the Company's consolidated financial statements before recommending them to the Board of Directors for approval. It also reviews reports prepared by the external auditors of the Company on the Company's accounting policies and procedures and internal control systems. The Audit Committee recommends the appointment of the Company's external auditors, who are appointed annually by the Company's shareholders.



JOHN MAGUIRE
CHIEF FINANCIAL OFFICER

NOVEMBER 10, 2004 (except for note 24, which is as of November 18, 2004)

AUDITOR'S REPORT

To the Shareholders of CanWest Global Communications Corp.

We have audited the consolidated balance sheets of CanWest Global Communications Corp. as at August 31, 2004 and August 31, 2003 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2004 and August 31, 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

CHARTERED ACCOUNTANTS

WINNIPEG, CANADA

NOVEMBER 10, 2004 (except for note 24, which is as of November 18, 2004)

CONSOLIDATED BALANCE SHEETS

AS AT AUGUST 31

(In thousands of Canadian Dollars)

	2004 \$000	2003 \$000 Revised (note 7)
ASSETS		
Current Assets		
Cash	81,092	121,922
Accounts receivable	361,978	370,783
Distributions receivable from Network TEN	36,567	20,909
Inventory	13,449	14,509
Investment in film and television programs (note 5)	71,601	82,912
Future income taxes (note 14)	6,166	20,223
Other assets	18,853	10,483
Assets of discontinued operations (note 16)	89,094	123,812
	678,800	765,553
Investment in Network TEN (note 3)	39,929	55,546
Other investments (note 4)	17,393	113,022
Investment in film and television programs (note 5)	33,467	30,960
Property, plant and equipment (note 6)	631,720	639,081
Other assets (note 18)	140,211	126,764
Intangible assets (note 8)	928,787	939,162
Goodwill (note 7)	2,373,442	2,366,776
Assets of discontinued operations (note 16)	38,376	281,928
	4,882,125	5,318,792
LIABILITIES		
Current Liabilities		
Accounts payable	67,233	101,034
Accrued liabilities (note 10)	199,143	203,325
Income taxes payable	17,697	36,799
Film and television program accounts payable	27,966	30,507
Deferred revenue	31,959	30,066
Future income taxes (note 14)	6,072	6,072
Current portion of long-term debt (note 9)	31,712	63,078
Liabilities of discontinued operations (note 16)	69,716	178,028
	451,498	648,909
Long-term debt and related foreign currency swap liability (note 9)	2,840,591	3,167,311
Interest rate and foreign currency swap liability (note 9)	120,341	24,646
Other accrued liabilities (note 18)	131,360	128,601
Future income taxes (note 14)	140,460	173,708
Minority interest	16,142	-
	3,700,392	4,143,175
Commitments, contingencies and guarantees (note 22)		
SHAREHOLDERS' EQUITY		
Capital stock (note 11)	848,628	846,824
Contributed surplus	4,612	3,647
Retained earnings	342,314	355,792
Cumulative foreign currency translation adjustments (note 13)	(13,821)	(30,646)
	1,181,733	1,175,617
	4,882,125	5,318,792

Signed on behalf of the Board

James Bush

Director

Frank McKenna

Director

The notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND RETAINED EARNINGS

FOR THE YEARS ENDED AUGUST 31

(In thousands of Canadian Dollars)

	2004 \$000	2003 \$000 Revised (note 1(c))
Revenue	2,113,034	2,139,532
Operating expenses	1,124,543	1,115,849
Selling, general and administrative expenses	539,458	531,479
Restructuring expenses (note 10)	2,445	12,989
	446,588	479,215
Amortization of intangibles (note 8)	17,500	17,500
Amortization of property, plant and equipment	71,179	70,688
Other amortization	5,035	7,087
Operating income	352,874	383,940
Interest expense	(310,572)	(352,966)
Interest income	9,141	-
Amortization of deferred financing costs	(7,864)	(8,247)
Interest rate and foreign currency swap losses (note 9)	(110,860)	(23,015)
Foreign exchange gains (note 9)	45,104	3,918
Investment gains and losses, net of write-down (note 15)	110,794	9,240
Dividend income	3,738	3,532
	92,355	16,402
Provision for (recovery of) income taxes (note 14)	(10,181)	2,533
Earnings before the following	102,536	13,869
Minority interest	(478)	-
Interest in earnings of Network TEN (note 3)	99,889	101,339
Interest in loss of other equity accounted affiliates	(625)	(1,332)
Realized currency translation adjustments (note 13)	(7,023)	922
Net earnings from continuing operations	194,299	114,798
Loss from discontinued operations (note 16)	(207,777)	(68,710)
Net earnings (loss) for the year	(13,478)	46,088
Earnings per share from continuing operations (note 12):		
Basic	\$1.10	\$0.60
Diluted	\$1.10	\$0.60
Earnings (loss) per share (note 12):		
Basic	(\$0.08)	\$0.22
Diluted	(\$0.08)	\$0.22
Retained earnings—beginning of year	355,792	317,376
Excess of redemption price over carrying value of preferred shares (note 11)	-	(7,672)
Net earnings (loss) for the year	(13,478)	46,088
Retained earnings—end of year	342,314	355,792

The notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31

(In thousands of Canadian Dollars)

	2004 \$000	2003 \$000
CASH GENERATED (UTILIZED) BY:		
OPERATING ACTIVITIES		
Net earnings from continuing operations for the year	194,299	114,798
Items not affecting cash		
Amortization	101,578	103,522
Interest paid in kind	97,951	108,385
Future income taxes	(23,191)	(20,057)
Interest in earnings of Network TEN	(99,889)	(101,339)
Realized currency translation adjustments	7,023	(922)
Interest rate and foreign currency swap losses net of settlements	98,056	23,015
Investment gains and losses, net of write-down	(110,794)	(9,240)
Amortization of film and television programs	5,656	-
Pension expense	6,276	7,609
Minority interest	478	-
Other	158	1,332
Distributions from Network TEN	104,855	33,378
Investment in film and television programs	(12,234)	(3,680)
	370,222	256,801
Changes in non-cash operating accounts (note 17)	(58,468)	31,107
Cash flows from operating activities of continuing operations	311,754	287,908
Cash flows from operating activities of discontinued operations	15,991	(57,118)
Cash flows from operating activities	327,745	230,790
INVESTING ACTIVITIES		
Other investments	-	(4,311)
Investment in broadcast licences	(5,813)	(2,325)
Proceeds from sales of other investments	143,832	44,113
Proceeds from divestitures	83,316	193,500
Proceeds from sale of property, plant and equipment	7,426	1,492
Purchase of property, plant and equipment	(53,167)	(38,438)
Investing activities from discontinued operations	-	(117)
	175,594	193,914
FINANCING ACTIVITIES		
Issuance of long-term debt	167,500	294,700
Repayment of long-term debt	(630,261)	(651,603)
Swap recoupons payments	(27,957)	(3,000)
Issuance of share capital	1,804	402
Preferred share redemption (note 11)	-	(57,672)
Financing activities from discontinued operations	(57,644)	53,301
	(546,558)	(363,872)
Foreign exchange gain on cash denominated in foreign currencies	2,389	-
Net change in cash	(40,830)	60,832
Cash – beginning of year	121,922	61,090
Cash – end of year	81,092	121,922

The notes constitute an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2004 AND 2003

IN THOUSANDS OF CANADIAN DOLLARS EXCEPT AS OTHERWISE NOTED

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is an international media company with interests in broadcast television, publishing, radio, specialty cable channels, outdoor advertising, production and distribution of film and television programming and Internet websites in Canada, Australia, New Zealand and Ireland. The Company's operating segments include television and radio broadcasting, publishing and online operations and outdoor advertising. In Canada, the Television Broadcast segment includes the operation of the Global Television Network, Prime, various other conventional and specialty channels and CoolFM and The Beat radio stations. The Australian Television Broadcast segment includes the Company's 56.6% economic interest in TEN Group Pty Limited ("TEN Group"), which owns and operates Australia's TEN Television Network ("Network TEN"). The Canadian Publishing and Online segment includes the publication of a number of newspapers, including metropolitan daily newspapers and the *National Post*, as well as operation of the canada.com web portal and other web-based operations. The New Zealand Television Broadcast segment includes CanWest MediaWorks NZ Limited's 3 and C4 Television Networks. The New Zealand Radio Broadcast segment includes CanWest MediaWorks NZ Limited's RadioWorks operation, which is comprised of five nationally-networked radio brands and 27 local radio stations. The Irish Television Broadcast segment includes the Company's 45% interest in the Republic of Ireland's TV3 Television Network. The Australian Outdoor Advertising segment includes the Company's economic interest in Eye Corp., an outdoor advertising operation which is wholly owned by TEN Group. The Corporate and Other segment includes various investments in media operations, including a 29.9% interest in Northern Ireland's Ulster Television plc ("UTV") (sold in June 2004).

The Company's broadcast customer base is comprised primarily of large advertising agencies, which place advertisements with the Company on behalf of their customers. Publishing and Online revenues include advertising, circulation and subscriptions which are derived from a variety of sources. The Company's advertising revenues are seasonal. Revenues and accounts receivable are highest in the first and third quarters, while expenses are relatively constant throughout the year.

A summary of significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. All amounts are expressed in Canadian dollars unless otherwise noted. A reconciliation to accounting principles generally accepted in the United States is provided in note 25.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, and the Company's pro rata 45% share of the assets, liabilities and results of operations of TV3 Ireland and its pro rata 50% share of the assets, liabilities and results of operations of Mystery (effective June 1, 2004).

INVESTMENTS

The Company accounts for its investment in Network TEN and Men TV using the equity method. Other investments are recorded at cost. A provision for loss in value of investments is made when a decline in value is considered other than temporary.

INVESTMENT IN FILM AND TELEVISION PROGRAM RIGHTS

a) Broadcast Rights

The Company has entered into various agreements for the rights to broadcast

certain feature films and television programs. The Company records a liability for broadcast rights and the corresponding asset when the programs are available for telecast. Broadcast rights are charged to operations as programs are telecast over the anticipated period of use. A loss is recognized when the carrying amount exceeds net realizable value.

b) Film and Television Programs

Investment in film and television programs represents the unamortized costs of film and television programs that have been produced by the Company, or for which the Company has acquired distribution rights. Included in investment in film and television programs are film and television programs in progress and in development. Film and television programs in progress represent the accumulated costs of productions that have not yet been completed by the Company.

Amortization of investment in completed films and television programs and accrual of participation costs are calculated using the individual film forecast computation method, based on the ratio that current period revenue earned from the film and television programs bears to management's estimate of ultimate revenue expected to be recognized from the exploitation of the film or television program.

Estimates of ultimate future revenue are prepared on a title-by-title basis and reviewed periodically based on current market conditions. For episodic television series, until revenue estimates include revenues from secondary markets, capitalized costs for each episode are limited to the amount of revenue contracted for each episode. Ultimate revenue estimates include secondary market revenue only when the Company can demonstrate through its experience or industry norms that the number of episodes already produced, plus those for which a firm commitment exists and the Company expects to deliver, can be licenced successfully in the secondary market. Ultimate revenue estimates

include revenues for up to ten years for film and television programs produced by the Company.

The valuation of film and television programs is reviewed on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film or television program is less than its unamortized cost, the fair value is determined using management's estimate of discounted future cash flows. A write-down is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film or television program.

FOREIGN CURRENCY TRANSLATION

The Company's operations in Australia, New Zealand and Ireland represent self-sustaining foreign operations, and the respective accounts have been translated into Canadian dollars in accordance with the current rate method. Assets and liabilities are translated at the exchange rates prevailing at the balance sheet dates, and revenue and expenses are translated on the basis of average exchange rates during the periods. Any gains or losses arising from the translation of these accounts are deferred and included as a component of shareholders' equity as cumulative foreign currency translation adjustments. An applicable portion of these deferred gains and losses is included in the determination of net earnings when there is a reduction of the net investment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Amortization is provided over the assets' estimated useful lives on a straight-line basis at the following annual rates:

Buildings	2 1/2% - 5%
Machinery and equipment	4% - 33 1/3%
Leasehold and land improvements	2 1/2% - 20%

IMPAIRMENT OF LONG LIVED ASSETS

Impairment of long lived assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

DISPOSAL OF LONG LIVED ASSETS AND DISCONTINUED OPERATIONS

Long lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475, "Disposal of Long Lived Assets and Discontinued Operations." Assets held for sale are measured at the lower of their carrying amounts and fair values less costs to dispose and are no longer amortized. The fair value of film and television programs are estimated on a discounted cash flow basis. Assets and liabilities classified as held for sale are reported separately on the balance sheet. A component of the Company that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Company will not have a significant continuing involvement in the operations of the component after the disposal transaction.

DEFERRED CHARGES

Certain pre-operating costs incurred in new business undertakings are deferred prior to the commencement of commercial operations, which is generally the time at which subscriber revenues commence. Pre-operating costs are amortized over a period of five years. Costs related to debt financing are deferred and amortized over the term of the debt.

CAPITALIZATION OF INTEREST

Interest is capitalized as part of the cost of certain assets while they are being prepared for use. Interest in the amount of \$3.8 million was capitalized in 2004 (2003-\$3.7 million).

INTANGIBLE ASSETS

Broadcast licences, newspaper mastheads, circulation and other intangible assets are recorded at their cost which, for business acquisitions, represents the fair market value at the date of the acquisition.

Circulation and other finite life intangibles are amortized over periods from 5 to 40 years. Finite life intangibles are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangibles with indefinite lives are not subject to amortization and are tested for impairment annually or

when indicated by events or changes in circumstances. Impairment of an intangible asset is recognized in an amount equal to the difference between the carrying value and the fair value of the related intangible asset.

GOODWILL

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually or when indicated by events or changes in circumstances by comparing the fair value of a particular reporting unit to its carrying value. When the carrying value exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying value to measure any impairment loss.

REVENUE RECOGNITION

Revenue derived from broadcasting activities consists primarily of the sale of airtime which is recognized at the time commercials are broadcast. Circulation and advertising revenue from publishing activities is recognized when the newspaper is delivered. Subscription revenue is recognized on a straight-line basis over the term of the subscription.

Revenue from the sale or licencing of film and television programs is recognized when all of the following conditions are met: persuasive evidence of a sale or licencing arrangement exists, the film is complete, the contractual delivery arrangements have been satisfied, the licence period has begun, the fee is fixed or determinable and collection of the fee is reasonably assured.

Amounts received that do not meet all of the above criteria are recorded as deferred revenue.

INCOME TAXES

The asset and liability method is used to account for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities including equity accounted investments. Future income tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which

those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Income taxes on undistributed earnings of Network TEN and CanWest MediaWorks NZ Limited are provided at rates applicable to distributions. Income taxes on undistributed earnings of foreign operations, other than Network TEN and CanWest MediaWorks NZ Limited, are not provided as such earnings are expected to be indefinitely reinvested.

INVENTORY

Inventory, consisting primarily of printing materials, is valued at the lower of cost and net realizable values.

PENSION PLANS AND POST RETIREMENT BENEFITS

The Company maintains a number of defined benefit and defined contribution pension and other post retirement benefit plans. For the defined benefit plans, the cost of pension and other retirement benefits earned by employees is determined using the projected benefit method pro rated on service and management's estimate of expected plan investment performance, salary escalation, retirement ages of employees, expected health care costs and other costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight line basis over the average remaining service period of employees active at the date of the amendment. For each plan, the excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees. The transitional obligation is being amortized on a straight line basis over the average remaining service life of the employees expected to receive benefits under the plan as of September 1, 2000. Gains or losses arising from the settlement of a pension plan are only recognized once responsibility for the pension obligation has been

relieved. The average remaining service period of employees covered by the pension plans is 15 years (2003–15 years). The average remaining service period of the employees covered by the post retirement benefit plans is 15 years (2003–15 years). The Company also maintains post retirement defined benefit plans for certain of its employees, the cost of which is expensed as benefits are earned by the employees. For the defined contribution plans, the pension expense is the Company's contribution to the plan.

CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash includes cash and short-term investments with maturities at the date of purchase of up to three months.

SHARE-BASED COMPENSATION PLANS

The Company has share-based compensation plans as described in note 11. The Company utilizes the fair value approach to account for stock options issued subsequent to August 31, 2003. The fair value of share-based compensation is recorded as a charge to net earnings based on the vesting period with a credit to contributed surplus. No compensation expense was recorded for stock options issued prior to August 31, 2003. The Company's pro forma results, reflecting the fair value based method of accounting for stock-based compensation, are disclosed in note 11.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to reduce foreign currency and interest rate risk on the Company's debt. The Company does not enter into financial instruments for trading or speculative purposes. The Company's policy is to designate each derivative financial instrument as a hedge of a specifically identified debt instrument at the time the Company enters into the derivative financial instrument.

Interest rate swap agreements are used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. The interest differential to be paid or received under interest rate swap agreements is recognized as an adjustment to interest expense.

Foreign currency interest rate swap agreements are used to manage exchange and interest rate exposures related to debt instruments denominated in foreign currencies. Translation gains and losses on the principal swapped are offset by corresponding translation losses and gains on the related debt in earnings. The Company translates its foreign currency denominated debt that is hedged by foreign currency interest rate swaps at the rate implicit in the swap agreement.

Gains and losses on terminations of interest rate and foreign currency interest rate swap agreements are deferred and amortized as an adjustment to interest expense related to the underlying debt over the remaining term of the original contract life of the terminated swap agreement.

In the event of early extinguishment of the debt obligations, the Company may continue to hold the related derivative financial instruments. The realized or unrealized gain or loss from these swaps is recognized in earnings, and the swaps are recorded on the balance sheet at fair value. Subsequent changes in the fair value of overhanging swaps are recognized in earnings.

CHANGES IN ACCOUNTING POLICIES

a) Hedging Relationships

The Company adopted CICA Accounting Guideline 13, "Hedging Relationships" (AcG 13), effective September 1, 2003. In accordance with the new policy, the Company's hedging relationships are documented and subject to effectiveness tests on a quarterly basis for reasonable assurance that they are and will continue to be effective. Any derivative that does not qualify for hedge accounting is reported on a mark to market basis in earnings. The adoption of this guideline had no impact on the financial statements.

b) Stock Options

The Company adopted the fair value method of accounting recommended by the CICA in Section 3870, "Stock-based Compensation and Other Stock-based Payments," prospectively for stock-based compensation awards granted after September 1, 2003. The impact of this policy is described in note 11.

c) Reporting Circulation Revenue on a Gross Basis

During the year ended August 31, 2004 the Company retroactively adopted the provisions of the Emerging Issues Committee of the CICA, EIC – 123, “Reporting Revenue Gross as a Principal versus Net as an Agent,” which was effective September 1, 2002. Under this provision circulation revenues are reported on a gross basis. Previously, the Company reported circulation revenue net of certain of its distribution contract costs. As a result of the adoption, the Company has retroactively revised its results. The impact of the revision was to increase sales and operating expenses by \$46.0 million for the year ended August 31, 2004 (\$44.2 million for the year ended August 31, 2003). There was no impact on net earnings.

PROPOSED ACCOUNTING POLICIES

The Accounting Standards Board of the Institute of Chartered Accountants of Canada issued AcG-15, “Consolidation of Variable Interest Entities,” which must be applied by the Company no later than the quarter ended February 28, 2005. The Company has determined that it is the primary beneficiary of TEN Group, a variable interest entity. Accordingly, the Company will consolidate the results of TEN Group effective September 1, 2004. The Company currently uses the equity method to account for its interest in TEN Group. Consolidation of TEN Group will have a significant impact on the Company’s revenues, expenses, assets and liabilities. There will be no impact on shareholders’ equity. Summarized results of TEN Group are included in note 3. The Company will adopt this standard retroactively with restatement of prior periods. The consolidation of Network TEN would have had the following impact on the Company’s consolidated balance sheet as at August 31, 2004: current assets increase \$232.7 million; investment in Network TEN decrease \$39.9 million; property, plant and equipment increase \$76.6 million; other non current assets increase \$20.4 million; intangible assets increase \$253.4 million; goodwill increases \$91.8 million; current liabilities increase \$185.7 million; long-term debt increases \$360.5 million; other liabilities increase \$27.5 million; and

minority interest increases \$61.3 million. There is no impact on shareholders’ equity.

2. ACQUISITIONS AND DIVESTITURES ACQUISITIONS

a) On November 16, 2000, the Company acquired substantially all of the Canadian newspaper and other Canadian media assets including a 50% interest in the *National Post* (“CanWest Publications”) of Hollinger International Inc. and certain of its affiliates (“Hollinger”) for consideration of approximately \$3.1 billion, including certain costs related to the acquisition.

The purchase price is subject to adjustment based on the working capital of CanWest Publications at August 31, 2000 and the results of its operations from September 1, 2000 to November 16, 2000. As a result of the inability to resolve disagreements with Hollinger of amounts owing, the Company has referred a claim of \$76.8 million to arbitration. When finalized, the working capital adjustment payable or refundable will increase or decrease the amount of goodwill recorded on the acquisition.

DIVESTITURES

a) In July 2004, through a series of transactions, the Company transferred its net assets in its New Zealand media operations to CanWest MediaWorks (NZ) Limited for 70% of the ordinary shares of CanWest Mediaworks (NZ) Limited and repayment of inter-company debt. Concurrent with the transfer of the net assets, CanWest MediaWorks (NZ) Limited completed a Initial Public Offering for 30% of its ordinary shares for NZ\$104 million, net of costs of NZ\$4 million (net proceeds of \$83.3 million). In addition, CanWest MediaWorks (NZ) Limited issued a term bank loan of NZ\$200,000. For these consolidated financial statements, the transfer of the net assets to CanWest MediaWorks (NZ) Limited has been accounted for at their carrying values. As a result of the reduction in the Company’s interest in the New Zealand media operations, the Company recorded a gain of \$65.5 million

b) In February 2003, the Company sold its interest in community newspapers and related assets in southern Ontario for cash proceeds of \$193.5 million. The

gain on this sale was \$21.3 million; assets and liabilities disposed of amounted to \$179.6 million and \$7.4 million, respectively.

3. INVESTMENT IN NETWORK TEN

The Company owns approximately 14.5% of the issued ordinary shares and all of the convertible debentures and subordinated debentures of TEN Group, an Australian television broadcasting network. The subordinated debentures have an aggregate principal amount of A\$45.5 million and pay interest based on distributions to holders of the ordinary shares. The convertible debentures have an aggregate partially paid-up principal amount of A\$45,500 and pay a market linked rate of interest. The convertible debentures are convertible, upon payment of an aggregate of A\$45.5 million, into a number of ordinary shares which would represent 49.2% of the issued and outstanding shares of TEN Group at the time of conversion. The combination of ordinary shares and subordinated debentures yield distributions equivalent to approximately 56.6% of all distributions paid by TEN Group.

As a result of its contractual right to representation on TEN’s Board of Directors and other factors, the Company accounts for its interest in TEN Group on the equity basis. The Company has appointed three of the thirteen members of the Board of Directors of TEN Group.

During the year ended August 31, 2004, TEN Group issued 7.4 million (2003–7.1 million) shares for proceeds of A\$14.7 million (2003–A\$14.4 million) as a result of the exercise of management stock options. This effectively diluted the Company’s economic interest in TEN Group to 56.6% at August 31, 2004, from 57.1% at August 31, 2003 (2003–to 57.1% from 57.5%) and resulted in an investment gain of \$1.9 million (2003–\$1.9 million). Based on the number of issued stock options, the maximum dilution of the Company’s interest in Network TEN is 56.4%

The following selected consolidated financial information of TEN Group has been prepared in accordance with accounting principles generally accepted in Canada. The accounts have been translated to Canadian dollars using the current rate method.

Summary Consolidated Balance Sheets

	2004	2003
Assets		
Current assets	269,293	241,822
Other assets	11,210	37,367
Property, plant and equipment	76,591	79,288
Long-term investments	14,804	11,421
Intangibles	253,358	244,418
Goodwill	91,806	88,752
	717,062	703,068
Liabilities and Shareholders' Equity		
Current liabilities	222,270	188,633
Long-term debt	360,460	349,326
Other long-term liabilities	33,089	48,721
Subordinated debentures issued to the Company	40,171	40,171
Share capital	68,076	53,150
Undistributed earnings (deficit)	(7,335)	22,577
Cumulative foreign currency translation adjustment	331	490
	717,062	703,068

Summary Consolidated Statements of Earnings

	2004	2003
Revenue	798,364	650,952
Operating expenses	527,852	459,842
Write-down of program inventory	-	18,082
Operating profit before amortization	270,512	173,028
Amortization of property, plant, equipment and other	18,570	16,329
	251,942	156,699
Financing expenses	(121,209)	(102,124)
Interest in earnings of equity accounted affiliates	3,356	-
	134,089	54,575
Provision for (recovery of) income taxes ¹	47,639	(55,969)
Earnings before the following	86,450	110,544
Minority interests	20	48
Net earnings for the year	86,470	110,592
Net earnings for the year	86,470	110,592
Interest in respect of subordinated debentures held by the Company	93,338	78,056
Earnings for the period before interest in respect of subordinated debentures ²	179,808	188,648

Summary Statements of Undistributed Earnings

	2004	2003
Undistributed earnings (deficit) – beginning of year	22,577	(65,291)
Earnings for the period before interest in respect of subordinated debentures ²	179,808	188,648
Distributions paid and payable	(209,720)	(100,780)
Undistributed earnings (deficit) – end of period	(7,335)	22,577

¹ During 2003, TEN Group and its wholly controlled Australian entities implemented a new income tax consolidation regime provided for under enacted changes to Australian tax law. In addition, the new regime allowed for the uplift in the tax value of certain assets; as a result, a non-recurring income tax recovery of \$63.9 million was recorded related to the reduction of future tax liabilities. In conjunction with the application of the new regime, the Company determined that previous tax balances at the acquisition date were not appropriately reflected and accordingly, the balance sheet was revised to reflect additional goodwill and intangible assets of approximately \$47.3 million and equivalent additional future income tax liabilities.

² The Company's economic interest in TEN Group's earnings for the year ended August 31, 2004 was \$99.9 million (2003 – \$101.3 million), comprised of its 14.5% interest in net earnings and its interest in the subordinated debentures.

The Company estimates that the market value of the Company's investment in TEN Group, based on quoted market rates for Ten Network Holdings Limited at August 31, 2004, was approximately \$1,648 million (2003 – \$1,091 million).

4. OTHER INVESTMENTS

	2004		2003	
	Cost	Market Value ¹	Cost	Market Value ¹
Investments in publicly traded securities – at cost				
Ulster Television plc	-	-	92,006	108,841
Other	5,369	5,369	3,742	3,742
	5,369	5,369	95,748	112,583
Investments in private companies – at cost	10,454		10,981	
Investments – on an equity basis	1,570		6,293	
	17,393		113,022	

During 2003, the Company sold its investment in SBS Broadcasting S.A. for proceeds of \$44.1 million, resulting in an investment loss of \$11.0 million.

In June 2004, the Company sold its investment in Ulster Television for proceeds of \$143.8 million, resulting in an investment gain of \$51.7 million.

¹ The market value for publicly traded securities is based on quoted market prices.

5. INVESTMENT IN FILM AND TELEVISION PROGRAMS

	2004		2003	
	Current	Long-term	Current	Long-term
Broadcast rights ¹	71,601	23,210	82,912	27,281
Non-theatrical films and television programs:				
Released ¹	-	4,482	-	3,679
Programs in progress	-	5,775	-	-
	71,601	33,467	82,912	30,960

¹ Net of accumulated amortization.

The Company expects that 40% of the unamortized cost of released film and television programs will be amortized during the year ended August 31, 2005. The Company expects that 87% of the unamortized cost of released film and television programs will be amortized during the three year period ended August 31, 2007. The Company expects that \$0.5 million of participation liabilities will be paid during the year ended August 31, 2005.

6. PROPERTY, PLANT AND EQUIPMENT

	2004		
	Cost	Accumulated amortization	Net
Land	60,425	-	60,425
Buildings	197,343	33,415	163,928
Machinery and equipment	695,674	304,853	390,821
Leasehold and land improvements	33,283	16,737	16,546
	986,725	355,005	631,720

	2003		
	Cost	Accumulated amortization	Net
Land	58,703	-	58,703
Buildings	179,214	29,972	149,242
Machinery and equipment	672,962	258,392	414,570
Leasehold and land improvements	29,707	13,141	16,566
	940,586	301,505	639,081

Property, plant and equipment located in Canada was \$586.0 million (2003–\$595.0 million) and in foreign jurisdictions was \$45.7 million (2003–\$44.1 million).

7. GOODWILL

Operating segment	2003 revised	Additions	Divestitures	Other	2004 revised
Television–Canada	510,876	-	-	-	510,876
Television–New Zealand	43,672 ¹	-	-	1,196 ²	44,868
Television–Ireland	4,280 ¹	-	-	-	4,280
Radio–New Zealand	100,353 ¹	-	-	5,470 ²	105,823
Publishing and Online–Canada	1,707,595 ¹	-	-	-	1,707,595
Total	2,366,776	-	-	6,666	2,373,442

Operating segment	2002 revised	Additions	Divestitures	Other	2003 revised
Television–Canada	515,437	-	-	(4,561) ¹	510,876
Television–New Zealand	42,346 ¹	-	-	1,326 ²	43,672 ¹
Television–Ireland	4,280 ¹	-	-	-	4,280 ¹
Radio–New Zealand	94,617 ¹	-	-	5,736 ²	100,353 ¹
Publishing and Online–Canada	1,856,075 ¹	-	(147,673) ³	(807) ¹	1,707,595 ¹
Total	2,512,755	-	(147,673)	1,694	2,366,776

¹ Decrease in goodwill was primarily related to the adjustment in WIC and CanWest Publications purchase equations to reflect the reversal of certain unused restructuring provisions (note 10).

² Increase in goodwill was related to increase in currency translation rates.

In February 2003, the Company sold its interest in community newspapers and related assets in southern Ontario, resulting in a reduction of the goodwill related to that operating unit of \$147.7 million.

³ During the year, the Company restated its balances for goodwill, intangibles, future income tax liabilities and other liabilities for prior years to reflect the following:

- (i) The original allocation of purchase price discrepancies related to Television–New Zealand, Television–Ireland, Radio–New Zealand and Publishing and Online–Canada overlooked certain information available at the time. In addition, upon adoption of CICA 3062, "Goodwill and Other Intangibles," the Company changed the useful life of certain intangibles to indefinite life; however, the future income tax liabilities related thereto were not adjusted. These matters affected the following balances as of August 31, 2003: goodwill reduced by \$72.3 million (2002–\$77.0 million), broadcast licences reduced by \$132.8 million (2002–\$122.8 million), other assets increased by \$1.4 million (2002–\$1.4 million), accrued liabilities increased by \$3.1 million (2002–\$3.1 million), income taxes payable increased by \$12.7 million (2002–\$12.7 million) and future income tax liabilities reduced by \$219.5 million (2002–\$214.2 million).
- (ii) On the divestiture of certain publishing assets from the Publishing and Online–Canada segment in 2002 and 2003, entries to record the disposals were allocated to goodwill being decreased as opposed to circulation, mastheads and goodwill. As of August 2003, goodwill has been increased by \$14.4 million (2002–\$10.7 million), circulation and other has been decreased by \$2.3 million (2002–\$1.6 million), newspaper mastheads have been decreased by \$19.6 million (2002–\$14.7 million) and future income tax liabilities have been decreased by \$7.5 million (2002–\$5.6 million). These changes did not have an impact on previously reported income.

8. INTANGIBLE ASSETS

	2004		
	Cost	Accumulated amortization	Net
Finite life:			
Circulation and other	137,466	61,732	75,734
Indefinite life:			
Broadcast licences			514,167
Newspaper mastheads			338,886
			853,053
Total intangible assets			928,787
	2003		
	Cost revised ¹	Accumulated amortization revised ¹	Net revised ¹
Finite life:			
Circulation and other	137,466	44,232	93,234
Indefinite life:			
Broadcast licences			507,042
Newspaper mastheads			338,886
			845,928
Total intangible assets			939,162

¹ Balances at August 31, 2003 have been revised to reflect the adjustments described in note 7⁴.

Amortization of intangible assets of \$17.5 million was recorded in 2004 and 2003.

9. LONG-TERM DEBT

	Interest Rate ¹	2004	Interest Rate ¹	2003
Senior secured credit facility ²	8.6%	665,011	9.7%	1,311,139
Senior unsecured notes ³	6.3%	263,340	7.2%	277,020
Senior subordinated notes ⁴	7.3%	608,373	8.2%	638,899
Term and demand loan €13,678 (2003 – €17,201) ⁵	3.4%	21,943	2.7%	26,177
Term bank loan NZ\$200,000 (2003 – nil) ⁶	6.2%	173,120		-
Junior subordinated notes ⁷	12.1%	881,116	12.1%	783,165
Other		15,423		-
		2,628,326		3,036,400
Effect of foreign currency swap		243,977		193,989
Long-term debt		2,872,303		3,230,389
Less portion due within one year		(31,712)		(63,078)
Long-term portion		2,840,591		3,167,311

¹ The weighted average interest rate gives effect to interest rate swaps.

² Credit facilities provide for revolving and term loans in the maximum amounts of \$413.1 million and \$665.0 million, respectively. At August 31, 2004, the Company had drawn on availabilities under its term facilities, including U.S. dollar loans of US\$488.6 million, Canadian dollar loans of \$21.8 million and had nil drawn under revolving facilities. The revolving credit facility matures in November 2006. The amount of credit available under the \$665.0 million term facilities decreases periodically based on scheduled repayments until maturity in August 2009. This credit facility is collateralized by substantially all the assets of the Company. The Canadian dollar debt bears interest at CDOR plus a margin and the U.S. dollar debt bears interest at LIBOR plus a margin. During 2004, the Company refinanced these term loans, resulting in the extension of maturity dates and reduction of interest rates. In August 2004, the Company repaid US\$315.1 million under this credit facility which resulted in a foreign exchange gain of \$35.6 million, which has been included in foreign exchange gains on the income statement.

The provisions of this credit facility require that, for fiscal years in which the credit rating for the credit facility is below a prescribed level, the Company make a prepayment of the credit facility equal to 50% of its free cash flow, as defined under the facility, for such fiscal year. The Company was required to make a prepayment of \$41.5 million in January 2004 in respect of fiscal 2003. There are no prepayment requirements in respect of fiscal 2004 under this provision as

a result of voluntary repayments made during the year.

The Company has entered into an interest rate swap in the notional amount of \$250 million to fix the interest payments on this revolving facility and subsequent revolving facilities until November 2009, resulting in an effective interest rate of 6.7% plus a margin. As a result of debt repayments, a notional amount of \$250 million (2003–nil) was overhanging as at August 31, 2004 (2003–nil) and its fair value was recognized in earnings. The Company has entered into an interest rate swap to fix the interest payments on its Canadian dollar term loans, until maturity, with a notional value of \$278.3 million (2003–\$338.8 million), resulting in an effective interest rate of 6.3% plus a margin. As a result of debt repayments, a notional amount of \$256.5 million was overhanging as at August 31, 2004 (2003–\$174.9 million) and its fair value was recognized in earnings. The Company has also entered into a cross-currency interest rate swap to fix its payments on its U.S. dollar term loans, until maturity, with a notional value of \$1,061.5 million (2003–\$1,072.5 million), resulting in an effective interest rate of 6.4% plus a margin and a fixed currency exchange rate of US\$1:\$1.5485. As a result of debt repayments, a notional amount of \$305.0 million was overhanging as at August 31, 2004 (2003–\$67.9 million) and its fair value was recognized in earnings. For the year ended August 31, 2004, total overhanging swap losses of \$110.9 million (2003–\$23.0 million) were charged to earnings. The resulting overhanging swap liability as at August 31, 2004 was \$120.3 million (2003–\$24.6 million).

- ³ The US\$200.0 million senior unsecured notes mature on April 3, 2013 and bear interest at 7.625%. The notes are redeemable at the Company's option, in whole at any time or in part from time to time, on or after April 15, 2008. The Company has entered into a US\$200 million cross-currency interest rate swap resulting in floating interest rates on its senior unsecured notes at interest rates based on CDOR plus a margin and a fixed currency exchange rate of US\$1:\$1.4735 until May 2013.
- ⁴ The senior subordinated notes include loans of US\$425.0 million and loans held by the majority shareholder of the Company in the amount of US\$41.9 million (2003–US\$41.9 million) which mature on May 15, 2011 and bear interest at 10.625%. The notes rank junior to the Company's senior credit facility and are guaranteed by certain subsidiaries of the Company. The notes are redeemable at the Company's option, in whole at any time or in part from time to time, on or after May 15, 2006. The Company has entered into a US\$425 million cross-currency interest rate swap resulting in floating interest rates on its senior subordinated notes at interest rates based on CDOR plus a margin and a fixed currency exchange rate of US\$1:\$1.5505.
- ⁵ These credit facilities provide for demand bank loans maturing December 2004 in the maximum amount of €38.5 million (2003 – €40.7 million). This facility is expected to be renewed annually. The debt bears interest at floating rates and is partially secured by a letter of credit provided by the Company. The Company has entered into an interest rate swap to fix the interest payments on €10.0 million of its loan resulting in an effective interest rate of 3.23% until March 2008.
- ⁶ These credit facilities provide for revolving working capital and revolving term loans in the amount of NZ\$25 million and NZ\$200 million respectively. The working capital facility matures July 2007 and the term facility matures July 2009. No amounts were drawn under the working capital facility as at August 31, 2004. The debt bears interest at floating rates. The Company has entered into an interest rate swap to fix the interest payments on NZ\$50 million of its New Zealand term bank loan resulting in an effective interest rate of 6.17% until July 2006.
- ⁷ The junior subordinated notes mature in November 2010, and bear interest at a fixed rate of 12.125%. At the Company's option, interest payments to November 2005 may be paid in cash, the issuance of additional notes, or subject to conditions, the issuance of non-voting shares of the Company. The notes rank junior to senior debt and are guaranteed by certain subsidiaries of the Company. The notes include \$96.9 million in notes issued during 2004 in satisfaction of interest as well as an accrual of \$9.2 million for notes to be issued in January 2005 (2003–\$110.1 million and \$8.2 million, respectively). Subsequent to year end, these notes were settled through the issuance of new 8% senior subordinated notes (note 24).

Under its Senior Secured Credit facility, the Company is required to maintain a fair value of its interest rate swaps and foreign currency and interest rate swaps above a prescribed minimum liability (\$500 million as at August 31, 2004, increased to \$600 million subsequent to year end). There are also prescribed minimum liabilities with individual counterparties, which have two-way recouping provisions. The Company was required to make net recouping payments of \$28.0 million during 2004 (2003–\$3.0 million). Further strengthening of the Canadian currency and/or declining interest rates may result in further payments to counterparties.

The Company is subject to covenants under certain of the credit facilities referred to above, including thresholds for leverage and interest coverage, and is also subject to certain restrictions under negative covenants.

Principal payments of long-term debt, based on terms existing at August 31, 2004 over the next five years, are:

Year ending August 31, 2005	31,712
2006	9,726
2007	10,671
2008	10,546
2009	921,583

10. RESTRUCTURING ACCRUALS

As at August 31, 2002, the Company had restructuring accruals of \$46.5 million related to its acquisition and restructuring of the *National Post*, WIC Western International Communications Ltd. ("WIC") and its publishing properties.

In 2003, the Company undertook restructuring activities in its Canadian Media and Entertainment operations. The restructuring expense related to the

following operating segments: Canadian Broadcasting—\$3.0 million, Canadian Publishing and Online—\$8.9 million and Corporate and Other—\$1.1 million.

In 2003, the Company reversed certain unutilized restructuring accruals in the amount of \$8.1 million as a result of changes in estimates. The reversal was recorded as a reduction of goodwill.

In 2004, the Company restructured certain other Canadian broadcast oper-

ations including the centralization of traffic and master control operations. The \$2.4 million cost consisted of employee severance.

For the year ended August 31, 2004, expenditures charged to the restructuring accruals were \$11.2 million (August 31, 2003—\$36.2 million). The balance of the restructuring accruals is expected to be substantially disbursed by August 31, 2005.

	Severance	Lease/contract termination	Integration	Other	Total
Balance August 31, 2002	22,966	2,721	250	20,575	46,512
Canadian media operations	12,989	-	-	-	12,989
Expenditures—2003	(21,635)	(293)	-	(14,301)	(36,229)
Reversals	(4,117)	-	-	(3,934)	(8,051)
Balance August 31, 2003	10,203	2,428	250	2,340	15,221
Canadian television	2,445	-	-	-	2,445
Expenditures—2004	(7,630)	(2,269)	-	(1,341)	(11,240)
Balance August 31, 2004	5,018	159	250	999	6,426

11. CAPITAL STOCK AUTHORIZED

Authorized capital consists of an unlimited number of preference shares issuable in series, multiple voting shares, subordinate voting shares and non-voting shares.

The multiple voting shares, the subordinate voting shares and the non-voting shares rank equally on a per share basis in respect of dividends and distributions of capital, and are subordinate to the preference shares. Subordinate voting shares carry one vote per share, and multiple voting shares carry ten votes per share. Non-voting shares do not vote, except at meetings where the holders of such shares would be entitled, by law, to vote separately as a class.

Multiple voting shares are convertible

into subordinate voting shares and non-voting shares on a one-for-one basis at any time at the option of the holder. Subordinate voting shares are convertible into non-voting shares on a one-for-one basis at any time at the option of the holder. Non-voting shares are convertible into subordinate voting shares on a one-for-one basis provided the holder is Canadian.

Series 1 preference shares carry 19 votes per share, and carry preferential votes pertaining to the election of up to two directors of the Company. Each series 1 preference share is convertible, at the option of the holder, into 0.15 subordinate voting or non-voting shares.

Series 2 preference shares were issued on the amalgamation of subsidiaries of the Company, including CanWest

Broadcasting Ltd., and were held by the former minority shareholders of CanWest Broadcasting Ltd. Series 2 preference shares are not eligible to vote. Series 2 preference shares were, at the option of the Company, redeemable for cash, or convertible to subordinate voting or non-voting shares based on the market value of the subordinate voting or non-voting shares at the date of conversion. On December 18, 2002, the Company elected to redeem all of its outstanding series 2 preference shares recorded at \$50.0 million for an aggregate redemption price of \$57.7 million.

The series 1 and 2 preference shares are not entitled to dividends and distributions in the normal course or in respect of a liquidation or wind-up and have no right to vote separately as a class.

Issued	2004	2003
76,785,976 (2003—76,785,976) multiple voting shares	3,199	3,199
98,667,438 (2003—98,280,291) subordinate voting shares	820,625	815,545
1,825,718 (2003—2,066,248) non-voting shares	24,804	28,080
	848,628	846,824

Changes in outstanding share capital during the two years ended August 31, 2004 were as follows:

	Number of shares	\$000
Multiple voting share capital:		
Balance—August 31, 2003 and 2004	76,785,976	3,199
Subordinate voting share capital:		
Balance—August 31, 2002	98,371,658	816,418
Changes pursuant to:		
Share purchase plans	58,454	369
Exercise of stock options	13,031	33
Redeemed fractions	(4)	-
Conversion to non-voting shares—net	(162,848)	(1,275)
Balance—August 31, 2003	98,280,291	815,545
Changes pursuant to:		
Share purchase plans	32,561	446
Exercise of stock options	114,056	1,358
Conversion from non-voting shares—net	240,530	3,276
Balance—August 31, 2004	98,667,438	820,625
Non-voting share capital:		
Balance—August 31, 2002	1,903,401	26,805
Changes pursuant to:		
Redeemed fractions	(1)	-
Conversion from subordinate voting shares—net	162,848	1,275
Balance—August 31, 2003	2,066,248	28,080
Changes pursuant to:		
Conversion to subordinate voting shares—net	(240,530)	(3,276)
Balance—August 31, 2004	1,825,718	24,804
Series 2 preference share capital:		
Balance—August 31, 2002	21,783	50,000
Redemption of shares	(21,783)	(50,000)
Balance—August 31, 2003 and 2004	-	-

SHARE COMPENSATION PLANS

The Company's board of directors has approved share compensation plans, the purpose of which is to provide employees and certain directors of the Company and its subsidiaries with the opportunity to participate in the growth and development of the Company through the granting of options and share purchase loans. At any time, the number of subordinate voting and non-voting shares reserved and set aside for purposes of the plans may not exceed 10% of the issued shares of the Company.

Options vest over a five or six-year period, are fully exercisable on vesting and expire ten years after issuance, except that under certain specified conditions the options vest and become exercisable immediately. The exercise price represents the market trading price at the date on which the option was granted.

Under management and employee share purchase plans, employees may

purchase subordinate voting shares or non-voting shares from treasury at the market trading price using non-interest bearing short-term loans provided by the Company. The shares are held as collateral by a trustee until the loans are repaid.

The Company adopted the fair value method of accounting for share based compensation on a prospective basis for options granted subsequent to September 1, 2003, resulting in compensation expense and a credit to contributed surplus of \$1.0 million for the year ended August 31, 2004. The fair value of the options granted during the year ended August 31, 2004 was estimated using the Black-Scholes option pricing model with the assumptions of no dividend yield, an expected volatility of 52% (2003 – 54%), risk free interest rates of 4.4% to 4.9% (2003 – 4.5% to 4.9%) and an expected life of 7 to 9 years (2003 – 7 to 9 years).

The total fair value of 523,000 stock options granted by the Company in the

year ended August 31, 2004 with an exercise price of \$12.85 per option was \$4.0 million, a weighted average fair value per option of \$7.58. During 2003, 394,500 stock options were granted with a total fair value of \$1.5 million, and a weighted average fair value per option of \$3.81.

The following are pro forma results reflecting the fair value based method of accounting for share-based compensation for options issued prior to September 1, 2003.

The pro forma cost of share compensation expense if the Company had adopted the fair value method retroactively for the year ended August 31, 2004 would be \$1.6 million (2003 – \$1.6 million). A value of \$2.8 million would be charged to pro forma net earnings in future years according to the vesting terms of the options. The resulting pro forma net earnings from continuing operations, basic and diluted earnings per share for the year ended August 31, 2004 would

have been \$192.7 million, \$1.09 and \$1.09 respectively (2003—\$113.2 million, \$0.60 and \$0.60). The resulting pro forma net earnings (loss), basic and diluted earnings per share for the year ended August 31, 2004 would have been (\$15.0) million, (\$0.09) and (\$0.09) respectively

(2003—\$44.5 million, \$0.21 and 0.21).

The Company's pro forma disclosure does not apply to awards prior to 1996.

Changes in outstanding options to purchase subordinate voting shares or non-voting shares for the two years ended August 31 were as follows:

	2004		2003	
	Options	Average Price	Options	Average Price
Options outstanding, beginning of year	2,075,561	13.95	1,819,268	15.24
Changes pursuant to:				
Options granted	523,000	12.85	394,500	7.21
Options exercised	(114,056)	11.91	(13,031)	2.51
Options expired	(5,798)	15.22	(52,313)	14.88
Options forfeited	(118,224)	15.21	(72,863)	10.98
Options outstanding, end of year	2,360,483	13.74	2,075,561	13.95
Options exercisable as at August 31	1,314,380	15.45	1,343,030	15.15

The following options to purchase subordinate voting shares or non-voting shares were outstanding and exercisable as at August 31, 2004:

Range of exercise prices \$	Number outstanding	Weighted average remaining life years	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
1 - 5	5,346	0.3	4.54	5,346	4.54
5 - 10	412,353	8.1	7.32	59,603	7.19
10 - 15	1,150,945	5.5	12.78	667,545	12.76
15 - 20	504,791	5.6	16.23	294,838	16.43
20 - 25	280,369	3.6	22.54	280,369	22.54
25 and over	6,679	3.3	25.67	6,679	25.67
	2,360,483	5.7	13.74	1,314,380	15.45

12. EARNINGS PER SHARE

Basic earnings per share are calculated using the daily weighted average number of shares outstanding.

Diluted earnings per share are calculated using the daily weighted average number of shares that would have been outstanding during the year had all

potential common shares been issued at the beginning of the year, or when the underlying options or convertible securities were granted or issued, if later. The treasury stock method is employed to determine the incremental number of shares that would have been outstanding had the Company used

proceeds from the exercise of options to acquire shares.

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted earnings per share.

	2004	2003
Net earnings from continuing operations	194,299	114,798
Excess of redemption price over carrying value of preferred shares	-	(7,672)
Net earnings from continuing operations	194,299	107,126
Net loss from discontinued operations	(207,777)	(68,710)
Net earnings (loss) available to common shareholders	(13,478)	38,416
Basic weighted average shares outstanding during the year	177,235,944	177,108,738
Dilutive effect of options	158,074	8,025
Diluted weighted average shares outstanding during the year	177,394,018	177,116,763
Options outstanding that would have been anti-dilutive	1,930,283	2,056,178

13. CUMULATIVE TRANSLATION ADJUSTMENTS

The cumulative foreign currency translation adjustments account reflects the net changes in the respective book values of the Company's investments in self-sustaining foreign operations due to exchange rate fluctuations since the respective dates of their acquisition or start-up.

The changes in this account arise from changes in the Australian, New Zealand, Euro and U.S. currencies relative to the Canadian currency, and changes in the Company's net investment in the book values of international operations.

Changes in this account were as follows:

	2004	2003
Deferred loss, beginning of year	30,646	41,534
Deferred foreign currency gain during the year	(9,802)	(11,810)
Realization of translation gain (loss) due to distributions and divestitures	(7,023)	922
Deferred loss, end of year	13,821	30,646

The balance of cumulative translation adjustments at the end of the year represents net unrealized losses (gains) as follows:

	2004	2003
Australian dollar	8,242	5,705
New Zealand dollar	(1,102)	21,506
Euro	1,032	282
United States dollar	5,649	3,153
	13,821	30,646

14. INCOME TAXES

The Company's provision for income taxes reflects an effective income tax rate which differs from the combined Canadian statutory rate as follows:

	2004	2003
Income taxes at combined Canadian statutory rate of 35.2% (2003–36.6%)	32,527	5,998
Non-taxable portion of capital gains	(36,733)	(3,705)
Effect of valuation allowance on future tax assets	2,200	(8,057)
Effect of foreign income tax rates differing from Canadian income tax rates	(4,821)	(1,477)
Large corporation tax	4,567	3,853
Effect of future tax rates differing from current rates	9,398	3,011
Non-deductible expenses	2,824	1,832
Effect of resolved tax dispute	(19,667)	-
Other	(476)	1,078
Provision for (recovery of) income taxes	(10,181)	2,533

An analysis of net earnings (loss) from continuing operations before tax by jurisdiction follows:

	2004	2003
Canada	(85,550)	(7,854)
Foreign	177,905	24,256
Net earnings before tax	92,355	16,402

An analysis of the provision for (recovery of) current and future income taxes by jurisdiction follows:

	2004	2003
Current income taxes		
Canada	9,704	22,219
Foreign	3,306	371
	13,010	22,590
Future income taxes		
Canada	(23,149)	(20,319)
Foreign	(42)	262
	(23,191)	(20,057)
Provision for (recovery of) income taxes	(10,181)	2,533

Significant components of the Company's future tax assets and liabilities are as follows:

	2004	2003 revised ¹
Future tax assets		
Non-capital loss carryforwards	151,130	132,311
Net-capital loss carryforwards	2,200	-
Accounts payable, other accruals and interest rate and foreign currency swap liability	48,219	29,756
Pension and post retirement benefits	9,028	7,139
Less: Valuation allowance	(91,140)	(62,620)
Total future tax assets	119,437	106,586
Future tax liabilities		
Capital cost allowances in excess of book amortization	82,314	75,112
Pension obligations	2,428	2,404
Intangible assets	164,397	160,232
Other assets	11,069	28,395
Total future tax liabilities	260,208	266,143
Net future tax liability	140,771	159,557
Current future tax asset	6,166	20,223
Current future tax liability	(6,072)	(6,072)
Discontinued operations' future tax liability	(405)	-
Net long-term future tax liability	140,460	173,708

¹ Balances for future tax liabilities as at August 31, 2003 have been revised to reflect the adjustments described in note 7⁴.

As at August 31, 2004, the Company had non-capital loss carryforwards for income tax purposes of \$583.1 million, that expire as follows: 2006—\$2.0 million, 2007—\$9.2 million, 2008—\$31.1 million, 2009—\$62.1 million, 2010—\$110.2 million, thereafter—\$368.5 million.

The recognition and measurement

of the current and future tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations in a number of jurisdictions and in the assessment of the recoverability of future tax assets. Actual income taxes could vary from these estimates as a result of future events, including changes

in income tax laws or the outcome of tax reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which the determination is made.

15. INVESTMENT GAINS, LOSSES AND WRITE-DOWNS

The Company has recorded the following investment gains, losses and write-downs:

	2004	2003
Gain on sale of investment in UTV (note 4)	51,717	-
Gain on New Zealand transaction (note 2)	65,515	-
Gain on sale of community newspapers (note 2)	-	21,269
Loss on sale of SBS Broadcasting S.A. (note 4)	-	(10,952)
Dilution gain – TEN Group (note 3)	1,889	1,895
Other gains (losses) and write-downs	(3,827)	(2,972)
Write-off deferred financing costs	(4,500)	-
	110,794	9,240

16. DISCONTINUED OPERATIONS

Following a period of poor financial performance and continued weakness in international demand for its films and television programs, the Company has commenced a process to sell its Fireworks Entertainment Division. As a result, the results of operations of Fireworks have been classified as loss from discontinued operations in the consolidated statements of earnings, the net cash flows are classified as operating, investing and financing activities from discontinued operations in the consolidated statements

of cash flows and the assets and liabilities have been classified on the consolidated balance sheets as assets and liabilities of discontinued operations. An impairment charge of \$211.0 million including goodwill impairment of \$30.9 million was recorded to adjust the assets to fair value based on recent estimates less cost to dispose. Included in the loss from discontinued operations is a charge of \$1.1 million related to the estimated transaction costs. The consolidated balance sheets as at August 31, 2003 and the consolidated statements of earnings

and the consolidated statements of cash flows for the year ended August 31, 2003 have been restated for purposes of comparability. Prior to the classification as a discontinued operation, these results were reported within the Canadian Entertainment segment. The Company expects to complete a sale transaction within the next six months.

The loss from discontinued operations of Fireworks is summarized as follows:

	2004	2003
Revenue	115,852	182,255
Loss from discontinued operations before tax expense	(207,078)	(68,138)
Income tax expense	699	572
Loss from discontinued operations	(207,777)	(68,710)
Loss from discontinued operations per share:		
Basic and diluted	(\$1.18)	(\$0.38)

The carrying value of the net assets related to the discontinued Fireworks Entertainment division is as follows:

	2004	2003
Accounts receivable	85,269	123,122
Other current assets	3,825	690
Total current assets	89,094	123,812
Property, plant and equipment	-	951
Investment in film and television programs	37,971	239,346
Goodwill	-	30,856
Other assets	405	10,775
Total non-current assets	38,376	281,928
Debt ¹	(23,571)	(84,308)
Other current liabilities	(46,145)	(93,720)
Total current liabilities	(69,716)	(178,028)
Net assets	57,754	227,712

¹ The three year revolving facility is collateralized by certain assets of Fireworks Entertainment Inc., matures in May 2005 and bears interest at floating rates of LIBOR plus a margin. The availability under this facility is based on acceptable receivables; as at August 31, 2004, US\$14.7 million was advanced (August 31, 2003 - US\$57.8 million). The facility contains profitability and financial ratio covenants, certain of which were not met at August 31, 2004 and accordingly, the debt has been classified as current.

17. STATEMENTS OF CASH FLOWS

The following amounts comprise the net change in non-cash operating accounts included in the statements of cash flows, excluding non-cash operating accounts related to discontinued operations:

	2004	2003
CASH GENERATED (UTILIZED) BY:		
Accounts receivable	9,884	4,796
Investment in film and television programs	15,842	7,396
Inventory	1,060	4,681
Other current assets	(4,944)	2,673
Other assets	(5,405)	(4,006)
Accounts payable and accrued liabilities	(49,104)	(50,085)
Income taxes payable	(19,102)	58,846
Deferred revenue	1,892	1,360
Film and program accounts payable	(8,591)	5,446
	(58,468)	31,107

The following amounts were paid on account of interest and income taxes:

	2004	2003
Interest	204,328	315,908
Income taxes	26,648	9,383

18. RETIREMENT ASSETS AND OBLIGATIONS

The Company has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, other retirement and post retirement benefits to its employees. Its defined benefit pension plans are based on years of service and final average salary. Pension benefits are indexed to the rate of inflation. Information on the Company's pension and post-retirement benefit plans follows:

	Pension benefits ¹		Post retirement benefits ²	
	2004	2003	2004	2003
Plan Assets				
Fair value – beginning of year	250,877	254,906	-	-
Divestiture	(25)	(1,330)	-	-
Actual return (loss) on plan assets	19,538	(10,368)	-	-
Employer contributions	13,883	10,693	277	275
Employee contributions	6,125	6,322	-	-
Benefits paid and administrative expenses	(13,691)	(9,346)	(277)	(275)
Fair value – end of year	276,707	250,877	-	-
Plan Obligations				
Accrued benefit obligation – beginning of year	337,436	277,612	30,724	40,429
Divestiture	-	(2,000)	-	-
Amendment to plan	-	16,808	-	-
Settlements	-	-	-	(3,195)
Accrued interest on benefits	22,413	20,622	2,334	2,868
Current service cost	17,078	17,055	1,260	1,235
Benefits paid	(13,064)	(9,346)	(277)	(275)
Actuarial loss (gain)	2,286	16,685	944	(10,338)
Accrued benefit obligation – end of year	366,149	337,436	34,985	30,724

The Company's accrued benefit asset (liability) is determined as follows:

Accrued benefit obligation	366,149	337,436	34,985	30,724
Fair value of plan assets	276,707	250,877	-	-
Plan deficit	(89,442)	(86,559)	(34,985)	(30,724)
Unamortized net actuarial loss (gain)	82,609	84,481	(7,930)	(8,870)
Unamortized transitional obligation	5,786	6,220	3,026	3,329
Unamortized past service costs	14,936	16,142	973	1,110
Accrued plan asset (liability)	13,889	20,284	(38,916)	(35,155)
Valuation allowance	(722)	(770)	-	-
Accrued plan asset (liability), net of valuation allowance	13,167	19,514	(38,916)	(35,155)

The accrued pension benefit asset is included in long-term assets and the accrued post retirement benefit liability is included in other long-term liabilities in the consolidated balance sheet.

Plan assets consist of:	Actual	Target
Equity securities	53%	60%
Debt securities	42%	40%
Other	5%	-
Total	100%	100%

The pension plans have no investments in shares of the Company.

The Company measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at June 30 of each year. The most recent actuarial valuation for the most significant of our pension plans, which make up over half of our accrued benefit obligation, was as of January 1, 2001. The next required valuation will be as of

January 1, 2004 with an expected completion date of December 31, 2004. The investment strategy for pension plan assets is to utilize a balanced mix of equity and fixed income portfolios, with limited additional diversification, to earn a long-term investment return that meets our pension plan obligations. Active management strategies and style

diversification strategies are utilized in anticipation of realizing investment returns in excess of market indices.

Total cash payments for 2004, consisting of cash payments to beneficiaries for its post-retirement plans and cash contributed to its defined contribution plans, was \$16.6 million (2003—\$13.3 million).

The Company's pension benefit expense is determined as follows:

	Year ended August 31, 2004			Year ended August 31, 2003		
	Incurring in year	Matching adjustments ³	Recognized in year	Incurring in year	Matching adjustments ³	Recognized in year
Current service cost	17,078	-	17,078	17,055	-	17,055
Employee contributions	(6,125)	-	(6,125)	(6,322)	-	(6,322)
Accrued interest on benefits	22,413	-	22,413	20,622	-	20,622
Return on plan assets	(19,538)	1,227	(18,311)	10,368	(28,428)	(18,060)
Plan amendment	-	-	-	16,808	(16,808)	-
Transitional obligation	-	434	434	-	610	610
Past service costs	-	1,206	1,206	-	808	808
Net actuarial loss	2,286	1,227	3,513	16,685	(15,169)	1,516
Changes in valuation allowance	-	(48)	(48)	-	(146)	(146)
Benefit expense	16,114	4,046	20,160	75,216	(59,133)	16,083
Employer contribution to the defined contribution plan	2,476	-	2,476	2,299	-	2,299
Total pension benefit expense	18,590	4,046	22,636	77,515	(59,133)	18,382

The Company's post retirement benefit expense is determined as follows:

	Year ended August 31, 2004			Year ended August 31, 2003		
	Incurring in year	Matching adjustments ³	Recognized in year	Incurring in year	Matching adjustments ³	Recognized in year
Current service cost	1,260	-	1,260	1,235	-	1,235
Accrued interest on benefits	2,334	-	2,334	2,868	-	2,868
Transitional obligation	-	303	303	-	1,609	1,609
Past service costs	-	137	137	-	(1,110)	(1,110)
Net actuarial loss	944	(941)	3	(10,338)	10,370	32
Total post retirement benefit expense	4,538	(501)	4,037	(6,235)	10,869	4,634

Significant actuarial assumptions in measuring the Company's accrued benefit obligations as at June 30 are as follows:

	Pension benefits		Post retirement benefits	
	2004	2003	2004	2003
Discount rate	6.50%	6.50%	6.50%	6.50%—6.75%
Rate of compensation increase	3.50%	3.50%—4.50%	-	-

Significant actuarial assumptions in measuring the Company's benefit costs at June 30 are as follows:

	Pension benefits		Post retirement benefits	
	2004	2003	2004	2003
Discount rate	6.50%	6.75%	6.50%	6.50-6.75%
Expected long-term rate of return on pension plan assets	7.25%	6.75-7.25%	-	-
Rate of compensation increase	3.50%	3.50%	-	-

The discount rate was estimated by applying Canadian corporate AA zero coupon bonds to the expected future benefit payments under the plans. For fiscal 2005, the expected long-term rate of return on plan assets will continue to be 7.25%, based on experience and

discussions with plan managers. In 2005, the Company expects to contribute \$13.2 million to its pension plans and \$0.3 million to its other post retirement benefit plans.

Benefit payments, which reflect expected future service, are expected to be paid as

follows for the years ending August 31:

Year ending August 31, 2005	10,454
2006	12,272
2007	13,947
2008	16,010
2009	18,665
2010-2014	135,287

¹ As at August 31, 2004, the Company has defined benefit pension plans that are not fully funded. These plans have aggregate plan assets of \$196.7 million (2003-\$208.7 million) and aggregate benefit obligations of \$291.0 million (2003-\$297.1 million).

² Includes post retirement health, dental and life insurance benefits. The assumed health care cost trend rates for the next year used to measure the expected cost of benefits covered for the post retirement health and life plans were 10.0% for medical and 7.0% for dental, decreasing to an ultimate rate of 5.0% for medical and 6.0% for dental in 2009 and 2010, respectively. A one percentage point increase in assumed health care cost trend rates would have increased the service and interest costs and obligation by \$0.5 million and \$5.5 million, respectively. A one percentage point decrease in assumed health care cost trends would have lowered the service and interest costs and the obligation by \$0.4 million and \$4.4 million, respectively.

³ Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

19. FINANCIAL INSTRUMENTS

Financial instruments consist of the following:

	2004		2003	
	Carrying value	Fair value	Carrying value	Fair value
Short-term assets	479,637	479,637	513,614	513,614
Other investments	17,393	23,543	113,022	129,714
Short-term liabilities	312,039	312,039	371,665	371,665
Long-term debt	2,872,303	2,742,573	3,230,389	3,112,220
Other long-term accrued liabilities	92,444	92,444	112,960	112,960
Interest rate and cross-currency swap liabilities	120,341	431,699	24,646	356,956

The fair values of short-term assets and liabilities, which include cash, accounts receivable, distributions receivable from TEN Group, accounts payable and accrued liabilities, income taxes payable and film and program accounts payable approximate their fair values due to the short-term nature of these financial instruments.

The fair value of other investments is primarily based on quoted market prices for publicly traded securities, and the most recent purchase transactions and agreements and comparable valuations for non-listed securities.

The fair value of long-term debt

subject to floating interest rates approximates the carrying value. The fair value of long-term debt, subject to fixed interest rates, is estimated by discounting future cash flows, including interest payments, using rates currently available for debt of similar terms and maturity.

The fair values of other long-term liabilities, including film and television program accounts payable, approximate their carrying values.

The fair values of interest rate and cross-currency interest rate swaps are based on the amounts at which they could be settled based on estimates of market rates.

Credit Risk

The Company is exposed to credit risk, primarily in relation to accounts receivable. Exposure to credit risk varies due to the concentration of individual balances with large advertising agencies. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Interest Rate Risk

The Company manages its exposure to fluctuations in interest rates through the use of interest rate and cross-currency interest rate swap agreements, more fully described in note 9.

20. JOINTLY CONTROLLED ENTERPRISE

The following amounts included in the consolidated financial statements represent the Company's proportionate interest in joint ventures.

	2004	2003
Balance sheets		
Assets		
Current assets	11,140	10,182
Long-term assets	9,695	9,823
	20,835	20,005
Liabilities		
Current liabilities	28,902	33,692
Long-term liabilities	-	-
	28,902	33,692
Statements of earnings		
Revenue	31,634	29,461
Expenses	27,591	27,674
Net earnings	4,043	1,787
Statements of cash flows		
Cash generated (utilized) by:		
Operating activities	7,633	6,833
Investing activities	117	(70)
Financing activities	(5,230)	(6,602)
Net increase in cash	2,520	161

21. RELATED PARTY TRANSACTIONS

Senior subordinated notes held by CanWest Communications Corporation, the Company's parent, totaled \$55.0 million (US\$41.9 million) at August 31, 2004 (2003—\$58.1 million). This debt matures on May 15, 2011 and bears interest at 10.625%. During 2004, interest expense related to this debt totaled \$6.3 million (2003—\$6.4 million). In 2003, CanWest Communications Corporation exchanged these Canadian dollar denominated notes for United States dollar denominated notes. The exchange was completed pursuant to the provisions of the original note indenture.

In June 2003, a company in which an affiliate of CanWest Communications Corporation holds a 50% interest acquired the TD Centre in Winnipeg, Manitoba, a building in which the Company is a tenant. During 2004, rent paid to this company amounted to \$1.1 million (2003—\$0.2 million).

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

COMMITMENTS

a) The Company has entered into a Management Services Agreement with The Ravelston Corporation Limited ("Ravelston").

The agreement provides for annual payments of \$6.0 million. Either party may terminate the agreement upon six months notice. In the event of termination by the Company, a fee of \$45 million is payable. In the event of termination by Ravelston, or in the event that Ravelston is unable to perform the services in accordance with the agreement, a fee in the amount of \$22.5 million is payable.

b) The Company has entered into various agreements for the right to broadcast certain feature films and syndicated television programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific programs or films or certain levels of future productions. The acquisition of these additional broadcast rights is contingent on the actual production and/or the airing of the programs or films. Management estimates that these agreements will result in future annual broadcast rights expenditures of \$270 million.

c) The Company's future minimum payments under the terms of its operating leases are as follows:

2005	27,554
2006	24,527
2007	21,629
2008	16,839
2009	17,829
thereafter	45,564

CONTINGENCIES

a) On December 17, 2003, the Company filed a statement of claim against Hollinger International Inc., Hollinger Inc. and certain related parties in the amount of \$25.7 million plus interest representing amounts owed to the Company related to its acquisition of 50% of The National Post Company partnership in March 2002. In August 2004, the Company obtained a summary judgment in respect of its claim against Hollinger for \$22.5 million of this claim plus interest. The receivable and related accrued interest are classified as accounts receivable. The Company has also requested arbitration related to a further \$76.8 million owed by Hollinger International Inc. and Hollinger Canadian Newspapers Limited Partnership related to certain unresolved matters related to its November 15, 2000 acquisition of certain newspaper assets from Hollinger International Inc.

and Hollinger Canadian Newspapers Limited Partnership (note 2). Hollinger International disputes this claim and claims that it and certain of its affiliates are owed \$45 million by the Company.

b) In March 2001, a statement of claim was filed against the Company and certain of the Company's subsidiaries by CanWest Broadcasting Ltd.'s ("CBL") former minority interests requesting, among other things, that their interests in CBL be purchased without minority discount. In addition, the claim alleges the Company wrongfully terminated certain agreements and acted in an oppressive and prejudicial manner towards the plaintiffs. The action was stayed on the basis that the Ontario courts have no jurisdiction to try the claim. In April 2004, a statement of claim was filed in Manitoba, which was substantially the same as the previous claim, seeking damages of \$405 million. The Company believes the allegations are substantially without merit and not likely to have a material adverse effect on its business, financial condition or results of operation. The Company intends to vigorously defend this lawsuit.

c) The Company is involved in various

legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

GUARANTEES

In connection with the disposition of assets, the Company has provided customary representations and warranties that range in duration. In addition, as is customary, the Company has agreed to indemnify the buyers of certain assets in respect of certain liabilities pertaining to events occurring prior to the respective sales relating to taxation, environmental, litigation and other matters. The Company is unable to estimate the maximum potential liability for these indemnifications as the underlying agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined.

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or

any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counter parties. The Company has \$30 million in directors' and officers' liability insurance coverage.

23. SEGMENTED INFORMATION

The Company operates primarily within the publishing, online, broadcasting, entertainment and outdoor advertising industries in Canada, New Zealand, Ireland and Australia.

Each segment below operates as a strategic business unit with separate management. Segment performance is measured primarily on the basis of operating profit. Management includes its proportionate interest in the results of its equity accounted Australian television and outdoor operations in strategic decision making, therefore, these proportionate results are included in the following segmented disclosure. Segmented information in Canadian dollars is as follows:

	Revenue		Segment operating profit		Total assets		Capital expenditures	
	2004	2003	2004	2003	2004	2003	2004	2003
Television								
Canada	690,302	730,407	147,430	216,346	1,073,459	1,297,263	22,840	9,364
Australia—Network TEN	409,204	336,362	145,328	106,975	391,748	372,039	3,976	11,097
New Zealand	108,236	95,055	23,291	10,095	123,459	130,049	2,962	3,056
Ireland	34,152	32,490	10,591	9,729	22,819	22,980	255	117
	1,241,894	1,194,314	326,640	343,145	1,611,485	1,822,331	30,033	23,634
Radio—New Zealand	86,717	73,400	27,488	20,751	138,591	130,756	3,231	2,666
Publishing and Online—								
Canada	1,193,627	1,208,180	267,343	258,496	2,806,034	2,854,201	11,999	9,348
Outdoor—Australia	43,742	36,656	8,215	2,560	25,069	23,789	1,347	693
Corporate and other	-	-	(27,110)	(23,213)	513,797	401,348	11,880	13,887
Total operating segments	2,565,980	2,512,550	602,576	601,739	5,094,976	5,232,425	58,490	50,228
Restructuring and film and television impairment expenses ¹	-	-	(2,445)	(23,305)	-	-	-	-
Elimination of equity accounted affiliates ²	(452,946)	(373,018)	(153,543)	(99,219)	(340,321)	(319,373)	(5,323)	(11,790)
Discontinued operations	-	-	-	-	127,470	405,740	-	117
Total	2,113,034	2,139,532	446,588	479,215	4,882,125	5,318,792	53,167	38,555
Amortization expense			93,714	95,275				
Operating income			352,874	383,940				

¹ For 2004, this includes Canadian television restructuring expenses. For 2003, it includes Network TEN program impairment charges of \$10.3 million and Canadian media operations restructuring charges of \$13.0 million.

² Elimination of proportionate interest in Australia's Network TEN and Outdoor.

24. SUBSEQUENT EVENTS

In October 2004, the Company launched an exchange offer to exchange a new series of 8% Senior Subordinated notes due 2012 for the outstanding 12 1/8% Senior notes due 2010 issued by the Hollinger Participation Trust. In the exchange offer, the holders of the trust notes were offered US\$1,240 principal amount of new notes in exchange for each US\$1,000 of trust notes. In addition, the Company launched a concurrent offer of notes, proceeds of which were used to retire the 12 1/8% junior subordinated notes held by Hollinger, which had not been participated to the Hollinger Participation Trust. The effect of these transactions was to replace the Company's existing \$903.6 million 12 1/8% junior subordinated notes (including accrued interest to November 18, 2004) with new \$908.1 million (US\$760.1 million) 8% senior subordinated notes. These transactions were completed on November 18, 2004. Also on November 18, 2004, 3815668 Canada Inc., a wholly-owned subsidiary of CanWest and the issuer of the above-mentioned notes, amalgamated with CanWest Media Inc., which is also a wholly-owned subsidiary of CanWest.

The excess of the fair value of the 8% subordinated notes over the carrying value of the 12 1/8% junior subordinated notes, which has not been determined at this time, will be expensed in the quarter ended November 30, 2004.

25. UNITED STATES ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian GAAP. In certain aspects, GAAP as applied in the United States ("U.S.") differs from Canadian GAAP.

PRINCIPAL DIFFERENCES AFFECTING THE COMPANY

Comprehensive Income

Comprehensive income, defined as all changes in equity other than those resulting from investments by owners and distributions to owners, must be reported under U.S. GAAP. There is no similar requirement under Canadian GAAP.

Pre-operating Costs

In the U.S., pre-operating costs are expensed in the period incurred. In accordance with Canadian GAAP, the

Company defers pre-operating costs until commencement of commercial operations and amortizes the deferred costs over a period of five years.

Foreign Currency Translation

In the U.S., distributions from self-sustaining foreign operations do not result in a realization of the cumulative translation adjustments account. Realization of such foreign currency translation adjustments occur only upon the sale of all or a part of the investment giving rise to the translation adjustments. In accordance with Canadian GAAP, reductions in the net investment in self-sustaining foreign operations result in a proportionate reduction in the cumulative foreign currency translation adjustment accounts.

Programming Commitments

Under Canadian GAAP, certain programming commitments imposed by regulatory requirements related to an acquisition completed prior to January 1, 2001, were accrued in the purchase equation resulting in additional goodwill. This additional goodwill was amortized until August 31, 2001. Under U.S. GAAP, these costs are expensed as incurred.

Investment in a Broadcasting Operation on an Equity Basis

Under Canadian GAAP, the Company's investment in a broadcasting operation was accounted for using the equity method during the period that this investment was held in trust pending completion of the regulatory approval process. Under U.S. GAAP, the investment was accounted for on a cost basis; then, as a result of receiving approval to complete the purchase of the broadcasting operation, the Company changed its method of accounting for the investment to the equity method. The change in accounting policy was retroactively applied as required under APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," to the date that the Company initially acquired its investment. This resulted in additional equity in earnings related to the investment being recorded for U.S. GAAP, whereas for Canadian GAAP, additional goodwill was recorded. Effective July 6, 2000, the Company consolidated this investment for both Canadian and U.S. GAAP purposes.

Intangible Assets

Under Canadian GAAP, certain costs related to the acquisition of broadcast licences, other than through a business combination, were recorded as intangible assets. Under U.S. GAAP, such costs are expensed as incurred.

Investment in Marketable Securities

For U.S. GAAP, investment assets classified as "available for sale" are carried at market, and unrealized temporary gains and losses are included, net of tax, in other comprehensive income. In accordance with Canadian GAAP, the Company carries its investment in marketable securities at cost.

Pension Valuation Allowances

Under Canadian GAAP, a valuation allowance against pension assets is the excess of the adjusted benefit asset over the expected future benefit. Changes in the valuation allowance are recorded as adjustments to pension expense. Under U.S. GAAP, valuation allowances are not recorded.

Proportionate Consolidation

Canadian GAAP requires the accounts of jointly controlled enterprises to be proportionately consolidated. Under U.S. GAAP, investments in jointly controlled entities are accounted as equity investments. This accounting difference applies to the Company's investment in TV3 Ireland and Mystery. The proportionate interest is disclosed in note 20. Accordingly, under accommodation provided by the SEC, this difference is not included in the following reconciliation.

Accounting for Derivative Instruments and Hedging Activities

Under U.S. GAAP, entities are required to recognize all derivative instruments as either assets or liabilities in the balance sheet, and measure those instruments at fair value. The changes in fair value of the derivative are included in the statement of earnings. In addition, under U.S. GAAP, foreign denominated debt is adjusted through earnings to reflect currency translation rates at each balance sheet date. Under Canadian GAAP, hedge accounting is applied for derivatives that are eligible for hedge accounting if certain criteria are met. Non-hedging derivatives are recognized at their fair value as either assets or liabilities. As a result of adopting

FAS 133 on September 1, 2001, the Company discontinued hedge accounting. The fair value of derivatives designated as hedges before August 31, 2000 have been included in a transitional adjustment and are included in income when the hedged transaction is completed.

Integration Costs Related to CanWest Publications

Under Canadian GAAP, certain integration costs related to the CanWest Publications acquisition were accrued in the purchase equation. Under U.S. GAAP, these costs are expensed as incurred.

Resolution of Acquired Tax Contingencies

Under U.S. GAAP, the settlement of tax contingencies acquired through a business acquisition result in an adjustment to the purchase equation. In accordance with Canadian GAAP, the resolutions of such

tax contingencies are included in earnings once the purchase price allocation is finalized.

CHANGES IN ACCOUNTING POLICIES Valuation of Intangibles

In accordance with the SEC staff announcement released September 29, 2004, the Company will utilize a direct approach in the valuation of intangible assets for the purposes of impairment testing. Previously, the Company utilized a residual value approach in valuing certain broadcast licences. The effect of the adoption of this policy has not been determined.

Consolidation of Variable Interest Entities
For its year ended August 31, 2004, for U.S. GAAP, the Company is required to apply the Financial Accounting Standards Board (FASB) Interpretation No. 46(R)

(FIN 46), "Consolidation of Variable Interest Entities." The Company has determined that it is the primary beneficiary of Network TEN Group, a variable interest entity. Accordingly, for U.S. GAAP, as required by FIN 46, the Company has consolidated the results of TEN Group on a prospective basis effective May 31, 2004. Under Canadian GAAP, the Company accounts for its investment in TEN Group using the equity method. As at August 31, 2004, the Company holds a 56.6% economic interest in TEN Group. The interest held by the 43.4% minority is classified in minority interests. The effect of consolidating Network TEN for U.S. GAAP is presented below. The following supplemental note disclosure relates to the effect that the consolidation of TEN Group has on certain balances as of and for the year ended August 31, 2004.

Income Taxes

The TEN Group provision for taxes differs from the combined Canadian statutory rate as follows:

TEN Group income taxes at the Company's combined statutory rate of 35.2%	17,723
Effect of foreign income tax rates differing from Canadian income tax rates	(2,618)
Effect of deductibility of intercompany interest elimination	(2,388)
Withholding tax provided on distributions	267
Other	323
Provision for income taxes	13,307

Investment in film and television program rights

	Current	Long-term
Broadcast rights	122,003	1,690
Other	495	-
	122,498	1,690

	Cost	Accumulated Amortization	Net
Property, plant and equipment			
Land	4,834	-	4,834
Buildings	9,065	(2,105)	6,960
Leasehold improvements	4,931	(935)	3,996
Plant and equipment	173,074	(114,057)	59,017
Plant and equipment under lease	6,351	(4,567)	1,784
Total property, plant and equipment	198,255	(121,664)	76,591

Intangible assets	
Finite life	
Site licences (net of amortization of \$2,445)	25,040
Indefinite life	
Broadcast licences	228,318
Total intangible assets	253,358

Amortization of \$167 was recorded in the three months ended May 31, 2004.

Site licences represent outdoor site leases. These licences are being amortized on a straight line basis over the term of the leases (approximately 20 to 40 years).

Goodwill

Goodwill of \$54 million relates to the Australia–Outdoor advertising segment, and \$38 million relates to the Australia–Network TEN segment. There were no changes in goodwill balances in the year ended August 31, 2004.

Long-term debt	
Unsecured bank loan ¹	163,048
Senior unsecured notes ²	164,585
Other	3,169
	330,802
Effect of foreign currency swap	31,150
Total long-term debt	361,952
Less portion due within one year	1,492
Long-term portion	360,460

¹ Credit facility provides for a maximum of \$652 million (A\$700 million) in advances. At August 31, 2004, the TEN Group had drawn A\$175 million against this facility, leaving an availability of A\$525 million. This facility matures in December 2008. TEN Group entered into interest rate swap contracts with a notional amount of A\$250 million to fix the interest on this facility and subsequent facilities with maturities to 2011.

² The US\$125 million unsecured notes mature in March 2013. TEN Group has entered into a US\$125 million cross currency interest rate swap resulting in floating rates and a fixed currency exchange rate of US\$1:A\$1.6807.

Commitments

TEN Group has the following commitments:

Year ended August 31,	2005	2006	2007	2008	2009	thereafter
Capital expenditures	2,735	464	-	-	-	-
Program expenditures	57,773	28,391	40,205	16,528	6,947	-
Leases	35,254	28,649	22,341	15,174	7,042	39,108
Total	95,762	57,504	62,546	31,702	13,989	39,108

Consolidated Statements of Earnings (Loss)

The following is a reconciliation of net earnings (loss) reflecting the differences between Canadian and U.S. GAAP:

	2004				2003
	Canadian GAAP	TEN Group*	U.S. GAAP adjustments	U.S. GAAP	U.S. GAAP Revised (**)
Revenue	2,113,034	195,382	-	2,308,416	2,139,532
Operating expenses	1,124,543	115,722	7,808 ^{1,5}	1,248,073	1,125,443
Selling, general and administrative expenses	539,458	17,139	-	556,597	531,479
Restructuring expenses	2,445	-	-	2,445	12,989
	446,588	62,521	(7,808)	501,301	469,621
Amortization of intangibles	17,500	167	-	17,667	17,500
Amortization of property, plant and equipment	71,179	4,455	-	75,634	70,688
Other amortization	5,035	-	(1,471) ⁶	3,564	2,376
Operating income	352,874	57,899	(6,337)	404,436	379,057
Interest expense	(310,572)	(7,005)	-	(317,577)	(352,966)
Interest income	9,141	-	-	9,141	-
Amortization of deferred financing costs	(7,864)	(69)	-	(7,933)	(8,247)
Interest rate and foreign currency swap losses	(110,860)	(1,099)	75,789 ⁷	(36,170)	(93,960)
Foreign exchange gains	45,104	-	-	45,104	3,918
Investment gains and losses, net of write-down	110,794	493	-	111,287	9,240
Dividend income	3,738	-	-	3,738	3,532
	92,355	50,219	69,452	212,026	(59,426)
Provision for (recovery of) income taxes	(10,181)	13,307	36,800 ⁸	39,926	(30,458)
Earnings before the following	102,536	36,912	32,652	172,100	(28,968)
Minority interest	(478)	(17,543)	-	(18,021)	-
Interest in earnings of Network TEN	99,889	(22,724)	(765) ⁹	76,400	97,863
Interest in loss of other equity accounted affiliates	(625)	3,355	-	2,730	(1,332)
Realized currency translation adjustments	(7,023)	-	4,526 ¹⁰	(2,497)	-
Net earnings from continuing operations	194,299	-	36,413	230,712	67,563
Loss from discontinued operations	(207,777)	-	-	(207,777)	(68,710)
Net earnings (loss) for the year	(13,478)	-	36,413	22,935	(1,147)
Earnings per share from continuing operations					
Basic	\$1.10			\$1.30	\$0.34
Diluted	\$1.10			\$1.30	\$0.34
Earnings (loss) per share					
Basic	(\$0.08)			\$0.13	(\$0.05)
Diluted	(\$0.08)			\$0.13	(\$0.05)

* Represents the adjustments to consolidate the Company's interest in TEN Group in accordance with FIN 46 effective May 31, 2004. These adjustments are based on Canadian GAAP. Any differences between Canadian and U.S. GAAP have been presented in the U.S. GAAP adjustments column.

** As explained in Note 1(c), the Company revised the presentation of revenues and operating expenses to conform to Emerging Issues Task Force Abstract 99-19, "Reporting Revenue Gross as a Principal vs. Net as an Agent," which was applicable to the Company for its years ended August 31, 2000 and subsequent.

Pre-operating costs incurred of \$1,748 (2003-\$851), with related tax effect of \$305 (2003-\$366).

Programming costs incurred as imposed by regulatory requirement of \$6,012 (2003-\$5,970), with related tax effect of \$1,683 (2003-\$2,567).

Elimination of pension valuation allowances recorded under Canadian GAAP of \$48 (2003-\$146), with related tax effect of \$19 (2003-\$54).

Integration costs incurred related to publishing properties of nil (2003-\$302), with related tax effect of nil (2003-\$109).

Development costs incurred related to intangible assets of nil (2003-\$2,325), with related tax effect of nil (2003-\$860).

Amortization of pre-operating costs of (\$1,471) (2003-(\$4,711)), with related tax effect of (\$646) (2003-(\$1,305)).

Gain (loss) on interest rate and cross-currency swaps and translation of foreign denominated debt of \$75,789 (2003-(\$70,945)), with related tax effect of \$31,161 (2003-(\$30,340)).

Resolution of acquired tax contingencies of \$7,000 and income tax related to above adjustments.

¹ U.S. GAAP adjustments in equity accounted affiliates of (\$1,195) (2003-(\$5,431), with related tax effect of (\$430) (2003-(\$1,955)).

⁶ Reversal of realization of cumulative translation adjustments of \$4,526 (2003-(\$922)), net of tax of nil.

Comparative Reconciliation of Net Earnings

The following is a reconciliation of net earnings reflecting the differences between Canadian and U.S. GAAP:

	2004	2003 Revised
Net earnings in accordance with Canadian GAAP from continuing operations	194,299	114,798
Pre-operating costs incurred net of tax of \$305 (2003–\$939)	(1,443)	(485)
Amortization of pre-operating costs net of tax of \$646 (2003–\$1,305)	825	3,406
Realization of cumulative translation adjustments net of tax of nil	4,526	(922)
Programming costs imposed by regulatory requirement net of tax of \$1,683 (2003–\$2,567)	(4,329)	(3,403)
Integration costs related to publishing properties net of tax of nil (2003–\$109)	-	(193)
Development costs re intangible assets net of tax of nil (2003–\$860)	-	(1,465)
Pension valuation allowances net of tax of \$19 (2003–\$54)	(29)	(92)
U.S. GAAP adjustments in equity accounted affiliates net of tax of \$430 (2003–\$1,955)	(765)	(3,476)
Gain (loss) on interest rate and cross currency swaps and translation of foreign denominated debt net of tax of \$31,161 (2003–\$30,340)	44,628	(40,605)
Dissolution of acquired tax contingencies net of tax of nil	(7,000)	-
Net earnings (loss) from continuing operations in accordance with U.S. GAAP	230,712	67,563
Loss from discontinued operations	(207,777)	(68,710)
Net earnings (loss) for the year in accordance with U.S. GAAP	22,935	(1,147)

Consolidated Statements of Comprehensive Income (Loss)

Comprehensive income (loss)—current periods

	2004	2003
Net earnings (loss) in accordance with U.S. GAAP	22,935	(1,147)
Unrealized foreign currency translation gain	9,802	11,810
Realized foreign currency translation loss	2,497	-
Foreign currency translation gain	12,299	11,810
Unrealized gains (losses) on securities available for sale net of tax of nil	34,883	(43,647)
Realized (gains) losses on securities available for sale net of tax of nil	(51,717)	10,952
Transition adjustment on swaps net of tax of \$177 (2003–\$68)	313	118
	(4,222)	(20,767)
Comprehensive income (loss)	18,713	(21,914)

Comprehensive income (loss)—accumulated balances

	Foreign currency translation	Unrealized gains (losses) on securities	Transition adjustments on swaps	Total
Accumulated other comprehensive income (loss)—August 31, 2002	(47,964)	49,529	(2,348)	(783)
Change during the year	11,810	(32,695)	118	(20,767)
Accumulated other comprehensive income (loss)—August 31, 2003	(36,154)	16,834	(2,230)	(21,550)
Change during the year	12,299	(16,834)	313	(4,222)
Accumulated other comprehensive loss—August 31, 2004	(23,855)	-	(1,917)	(25,772)

Consolidated Balance Sheets

The following is a reconciliation of the Company's consolidated balance sheet reflecting the differences between Canadian and U.S. GAAP:

	2004				2003
	Canadian GAAP	TEN Group*	U.S. GAAP adjustments	U.S. GAAP	U.S. GAAP Revised**
ASSETS					
Current Assets					
Cash	81,092	16,623	-	97,715	121,922
Accounts receivable	361,978	126,451	-	488,429	370,783
Distributions receivable from Network TEN	36,567	(36,567)	-	-	20,909
Inventory	13,449	-	-	13,449	14,509
Investment in film and television programs	71,601	122,498	-	194,099	82,912
Future income taxes	6,166	-	-	6,166	20,223
Other assets	18,853	3,721	-	22,574	10,483
Assets of discontinued operations	89,094	-	-	89,094	123,812
	678,800	232,726	-	911,526	765,553
Investment in Network TEN	39,929	(39,929)	-	-	52,070
Other investments	17,393	14,804	-	32,197	129,856
Investment in film and television programs	33,467	1,690	-	35,157	30,960
Property, plant and equipment	631,720	76,591	-	708,311	639,081
Future income taxes	-	5,580	-	5,580	-
Other assets	140,211	3,940	(5,776)	138,375	120,544
Intangible assets	928,787	253,358	(2,325)	1,179,820	936,837
Goodwill	2,373,442	91,806	171,566	2,636,814	2,545,342
Assets of discontinued operations	38,376	-	-	38,376	281,927
	4,882,125	640,566	163,465	5,686,156	5,502,170
LIABILITIES					
Current Liabilities					
Accounts payable	67,233	91,228	(1,154)	157,307	99,883
Accrued liabilities	199,143	43,698	-	242,841	203,321
Income taxes payable	17,697	9,722	-	27,419	36,799
Film and television program accounts payable	27,966	37,304	-	65,270	30,507
Deferred revenue	31,959	2,259	-	34,218	30,067
Future income taxes	6,072	-	-	6,072	6,072
Current portion of long-term debt	31,712	1,492	-	33,204	63,078
Liabilities of discontinued operations	69,716	-	-	69,716	178,027
	451,498	185,703	(1,154)	636,047	647,754
Long-term debt	2,840,591	360,460	(261,605)	2,939,446	2,973,329
Interest rate and foreign currency swap liability	120,341	-	330,279	450,620	356,955
Other accrued liabilities	131,360	33,089	(15,071)	149,378	106,748
Future income taxes	140,460	-	(32,875)	107,585	113,242
Minority interest	16,142	61,314	-	77,456	-
	3,700,392	640,566	19,574	4,360,532	4,198,028
SHAREHOLDERS' EQUITY					
Capital stock	848,628	-	-	848,628	846,824
Contributed surplus	4,612	-	-	4,612	3,647
Retained earnings	342,314	-	155,842	498,156	475,221
Accumulated other comprehensive income	-	-	(25,772)	(25,772)	(21,550)
Cumulative foreign currency translation adjustments	(13,821)	-	13,821	-	-
	1,181,733	-	143,891	1,325,624	1,304,142
	4,882,125	640,566	163,465	5,686,156	5,502,170

* Represents the adjustments to consolidate the accounts of TEN Group in accordance with FIN 46, effective May 31, 2004. The adjustments reflect the accounts of TEN Group under Canadian GAAP as presented in note 3 and the elimination of the Company's investment in TEN Group; the distribution receivable/payable of \$36.6 million included in the Company's current assets and TEN Group's current liabilities, respectively; the debenture payable to the company of \$40.2 million.

** As discussed in footnote 4 to note 7, the Company restated its balance sheet for certain items related to certain business acquisitions and divestitures. Similar changes were made to the balance sheet as at August 31, 2003, except that the changes to the future tax balances upon the adoption of FAS 142, "Goodwill and Other Intangible Assets," should have been reflected as a future income tax recovery in the year FAS 142 was adopted. Under Canadian GAAP, upon adoption of CICA 3062, the Company reflected the accounting change retroactively by adjusting the balance of goodwill. The U.S. GAAP changes resulted in a restatement of shareholders' equity as follows:

U.S. GAAP shareholders' equity as at August 31, 2003 as previously reported	1,143,642
Adjustment for income tax recovery related to FAS 142	160,500
U.S. GAAP shareholders' equity as restated	1,304,142

Consolidated Statements of Retained Earnings

	2004				2003
	Canadian GAAP	TEN Group*	U.S. GAAP adjustments	U.S. GAAP	U.S. GAAP Revised
Retained earnings—beginning of year	355,792	-	119,429	475,221	484,040
Excess of redemption price over carrying value of preferred shares	-	-	-	-	(7,672)
Net earnings (loss) for the year	(13,478)	-	36,413	22,935	(1,147)
Retained earnings—end of year	342,314	-	155,842	498,156	475,221

* Represents the effect of consolidating the Company's interest in TEN Group in accordance with FIN 46, effective May 31, 2004.

A reconciliation of shareholders' equity reflecting the differences between Canadian and U.S. GAAP is set out below.

	2004	2003 Revised
Shareholders' equity in accordance with Canadian GAAP	1,181,733	1,175,617
Pre-operating costs incurred, net of tax of \$2,328 (2003—\$2,669) ¹	(4,170)	(3,552)
Goodwill adjustment related to retroactive equity accounting of WIC upon regulatory approval net of tax of nil ²	38,503	38,503
Goodwill adjustment related to programming costs incurred net of tax of \$6,689 (2003—\$5,006) ³	(11,990)	(7,661)
Goodwill adjustment related to integration costs of CanWest Publications net of tax of \$936 ⁴	(1,663)	(1,663)
Amortization of goodwill related to future programming costs imposed by regulatory requirement on business combination net of tax of nil ⁵	938	938
Costs to develop intangible assets expensed net of tax of \$860 ⁶	(1,465)	(1,465)
Pension valuation allowance net of tax of \$266 (2003—\$285) ⁷	456	485
Goodwill adjustment related to resolution of acquired tax contingencies ⁸	(7,000)	-
Adjustment related to treatment of accounting policy change net of tax of nil ⁹	160,500	160,500
Adjustments to equity accounted affiliates net of tax of \$1,955 ¹⁰	-	(3,476)
Adjustment to reflect losses on interest rate and cross-currency swaps net of tax of \$37,308 (2003—\$66,084) ¹¹	(28,301)	(68,688)
Transition adjustment on interest rate swaps, net of tax of \$1,141 (2003—\$1,318) ¹¹	(1,917)	(2,230)
Unrealized gain (loss) on other investments net of tax of nil (2003—nil) ¹²	-	16,834
Shareholders' equity in accordance with U.S. GAAP	1,325,624	1,304,142

The following identifies the balance sheet effect of these adjustments:

¹ Reduced other assets by \$6.5 million (2003—\$6.2 million), reduced long-term future tax liability by \$2.3 million (2003—\$2.7 million).

² Increased goodwill by \$38.5 million (2003—\$38.5 million).

³ Reduced goodwill by \$21.4 million (2003—\$21.4 million), increased long-term future tax liability by \$9.4 million, (2003—\$11.1 million), reduced other long-term accrued liabilities by \$15.1 million (2003—\$21.1 million), and reduced current accrued liabilities by \$3.8 million (2003—\$3.8 million).

⁴ Increased accrued liabilities by \$2.6 million (2003—\$2.6 million), and reduced future income tax liability by \$0.9 million (2003—\$0.9 million).

⁵ Increased goodwill by \$0.9 million (2003—\$0.9 million).

⁶ Reduced intangible assets by \$2.3 million (2003—\$2.3 million), reduced long-term future tax liability by \$0.9 million (2003—\$0.9 million).

⁷ Increased long-term other assets by \$0.7 million (2003—increased other long-term accrued liabilities by \$0.8 million), and increased long-term future tax liability by \$0.3 million (2003—\$0.3 million).

⁸ Reduced goodwill by \$7.0 million (2003—nil).

⁹ Increased goodwill by \$160.5 million (2003—\$160.5 million).

¹⁰ Increased investment in Network TEN by nil (2003—\$3.5 million).

¹¹ Combined effect was to increase long-term swap liabilities by \$330.3 million (2003—\$332.3 million), reduced long-term debt by \$261.6 million (2003—\$194.0 million), reduced long-term future tax liabilities by \$38.5 million (2003—\$67.4 million).

¹² Increased other investments by nil (2003—\$16.8 million).

Consolidated Statements of Cash Flows

	2004				2003
	Canadian GAAP	TEN Group*	U.S. GAAP adjustments	U.S. GAAP	U.S. GAAP
CASH GENERATED (UTILIZED) BY:					
OPERATING ACTIVITIES					
Net earnings from continuing operations for the year	194,299	-	36,413	230,712	67,563
Items not affecting cash					-
Amortization	101,578	4,691	(1,471)	104,798	98,811
Interest paid in kind	97,951	-	-	97,951	108,385
Future income taxes	(23,191)	2,503	29,800	9,112	(52,885)
Interest in earnings of Network TEN	(99,889)	22,724	765	(76,400)	(97,863)
Realized currency translation adjustments	7,023	-	(4,526)	2,497	-
Interest rate and foreign currency swap losses	98,056	1,099	(75,789)	23,366	93,960
Investment gains and losses net of write-down	(110,794)	(493)	-	(111,287)	(9,240)
Amortization of film and television programs	5,656	-	-	5,656	-
Pension expense	6,276	-	48	6,324	7,755
Minority interest	478	17,543	-	18,021	-
Other	158	(3,355)	-	(3,197)	1,332
Distributions from Network TEN	104,855	(5,558)	-	99,297	33,378
Investment in film and television programs	(12,234)	-	-	(12,234)	(3,680)
	370,222	39,154	(14,760)	394,616	247,516
Changes in non-cash operating accounts	(58,468)	29,443	14,760**	(14,625)	38,067
Cash flows from operating activities of continuing operations	311,754	68,597	-	380,351	285,583
Cash flows from operating activities of discontinued operations	15,991	-	-	15,991	(57,118)
Cash flows from operating activities	327,745	68,597	-	396,342	228,465
INVESTING ACTIVITIES					
Other investments	-	(221)	-	(221)	(4,311)
Investment in broadcast licences	(5,813)	-	-	(5,813)	-
Proceeds from sales of other investments	143,832	127	-	143,959	44,113
Proceeds from divestitures	83,316	-	-	83,316	193,500
Proceeds from sale of property, plant and equipment	7,426	-	-	7,426	1,492
Purchase of property, plant and equipment	(53,167)	(2,641)	-	(55,808)	(38,438)
Investing activities from discontinued operations	-	-	-	-	(117)
	175,594	(2,735)	-	172,859	196,239
FINANCING ACTIVITIES					
Issuance of long-term debt	167,500	51,750	-	219,250	294,700
Repayment of long-term debt	(630,261)	(80,279)	-	(710,540)	(651,603)
Swap recouping payments	(27,957)	-	-	(27,957)	(3,000)
Issuance of share capital	1,804	113	-	1,917	402
Payment of dividends to minority interests	-	(32,556)	-	(32,556)	-
Preferred share redemption	-	-	-	-	(57,672)
Financing activities from discontinued operations	(57,644)	-	-	(57,644)	53,301
	(546,558)	(60,972)	-	(607,530)	(363,872)
Foreign exchange gain on cash denominated in foreign currencies	2,389	-	-	2,389	-
Net change in cash	(40,830)	4,890	-	(35,940)	60,832
Cash – beginning of period	121,922	11,733	-	133,655	61,090
Cash – end of year	81,092	16,623	-	97,715	121,922

* Represents adjustment to the cash flows of TEN Group in accordance with FIN 46, effective May 31, 2004 and the elimination of intercompany cash flows between TEN Group and the Company.

**Represents adjustments to U.S. GAAP statement of earnings and loss not affecting cash and change in working capital.

OTHER

The following amounts are included in accounts receivable:

	2004	2003
Allowance for doubtful accounts—beginning of year	14,654	14,036
Bad debt expense	5,634	5,596
Write-offs during the year	(7,513)	(5,263)
Foreign exchange	93	285
Effect of the consolidation of TEN Group	6,789	-
	19,657	14,654
The following amounts are included in operating expenses:		
Rent expense	19,819	20,545
The following amounts are included in accrued liabilities:		
Employment related accruals	75,000	76,000

Amortization expense related to existing finite life intangibles will be \$18.2 million per year in 2005, \$9.5 million in 2006 and \$2.2 million in 2007 to 2009.

TEN YEAR FINANCIAL REVIEW

FOR THE YEARS ENDED AUGUST 31

IN THOUSANDS OF CANADIAN DOLLARS EXCEPT AS NOTED¹

(UNAUDITED)

	2004	2003	2002	2001
CONSOLIDATED OPERATING RESULTS				
Revenue ²	2,113,034	2,139,532	2,170,271	1,805,327
Operating profit before amortization	446,588	479,215	471,049	427,520
Operating profit margin	21.1%	22.4%	21.7%	23.7%
Investment gains, losses and write-downs	110,794	9,240	32,043	28,630
Net earnings (loss)	(13,478)	46,088	13,018	46,633
Net earnings from continuing operations	194,299	114,798	31,324	50,998
Adjusted net earnings from continuing operations ³	194,299	114,798	31,324	121,547
Consolidated cash flows from operating activities of continuing operations	311,754	287,908	140,675	105,922
PER SHARE INFORMATION				
Basic	(\$0.08)	\$0.22	\$0.07	\$0.27
Diluted	(\$0.08)	\$0.22	\$0.07	\$0.27
Net earnings from continuing operations				
Basic	\$1.10	\$0.60	\$0.18	\$0.30
Diluted	\$1.10	\$0.60	\$0.17	\$0.30
Adjusted net earnings from continuing operations ³				
Basic	\$1.10	\$0.60	\$0.18	\$0.71
Diluted	\$1.10	\$0.60	\$0.17	\$0.71
CONSOLIDATED FINANCIAL POSITION				
Total assets ²	4,882,125	5,318,792	5,495,074	6,230,213
Capital expenditures	53,167	38,438	52,942	48,160
Long-term debt	2,872,303	3,230,389	3,478,908	3,866,821
Debt: Equity	2.43:1	2.75:1	2.96:1	2.96:1
Shareholders' equity	1,181,733	1,175,617	1,175,911	1,305,995
Return on average equity	(1.14%)	3.92%	1.05%	4.31%
Weighted average number of shares outstanding	177,235,944	177,108,738	176,956,800	171,421,241
Shares outstanding at year end	177,279,132	177,132,515	177,061,035	176,640,326
TRADING STATISTICS				
Trading volumes				
Subordinate voting shares—TSX	92,853,700	50,479,100	81,749,600	54,187,004
Non-voting shares—TSX	1,065,400	1,453,500	1,167,700	1,293,168
Non-voting shares—NYSE	460,700	582,200	813,800	826,300
Market price of subordinate voting shares				
High	\$14.40	\$11.00	\$14.15	\$21.50
Low	\$9.50	\$2.75	\$5.05	\$10.25
Market price of non-voting shares—TSX				
High	\$14.27	\$10.76	\$14.25	\$21.63
Low	\$9.52	\$2.90	\$5.40	\$10.50
Market price of non-voting shares—NYSE				
High	US\$11.13	US\$7.67	US\$8.86	US\$14.56
Low	US\$7.25	US\$1.88	US\$3.56	US\$6.83

NOTES

¹ Restated to reflect a retroactive change in accounting policy with respect to accounting for future income taxes and earnings per share, and adjusted to reflect a 1.24% stock dividend paid in September 2000.

In 2004, revenues, intangible assets, goodwill and future income tax liabilities were restated on a retroactive basis.

Adjusted to exclude the amortization of goodwill and indefinite life intangibles.

2000	1999	1998	1997	1996	1995
620,269	555,136	537,538	460,386	368,610	336,698
137,123	160,501	179,004	-149,220	115,160	88,867
22.1%	28.9%	33.3%	32.4%	31.2%	26.4%
101,213	3,424	4,120	1,703	1,922	2,655
177,638	144,403	200,117	139,662	95,798	66,923
174,413	142,665	198,987	139,662	99,217	79,297
196,154	156,160	215,590	158,053	115,902	91,437
22,258	121,229	138,700	141,726	86,529	74,256
\$1.17	\$0.95	\$1.33	\$0.93	\$0.67	\$0.48
\$1.16	\$0.95	\$1.32	\$0.92	\$0.66	\$0.47
\$1.15	\$0.94	\$1.32	\$0.93	\$0.70	\$0.57
\$1.14	\$0.94	\$1.32	\$0.92	\$0.69	\$0.56
\$1.29	\$1.03	\$1.43	\$1.05	\$0.81	\$0.65
\$1.28	\$1.03	\$1.42	\$1.04	\$0.80	\$0.65
2,880,542	1,695,011	1,473,315	1,290,656	744,940	721,829
8,932	15,215	11,003	5,858	12,139	5,926
1,168,282	544,675	453,745	462,764	171,041	204,373
1.36:1	.70:1	.68:1	.87:1	.37:1	.83:1
860,127	776,093	667,619	532,642	461,385	247,490
21.70%	20.00%	33.35%	28.10%	27.03%	30.87%
151,644,239	151,356,194	151,008,489	150,104,148	142,270,354	139,666,716
151,904,322	151,449,872	151,198,973	150,675,701	149,638,874	41,491,238
38,406,989	34,483,802	20,451,677	24,394,893	18,017,305	19,335,021
2,854,403	6,351,161	3,218,496	2,248,825	572,863	-
1,127,307	4,035,933	4,321,936	10,328,606	7,147,038	-
\$22.97	\$24.20	\$28.15	\$24.35	\$13.58	\$7.04
\$14.82	\$16.59	\$20.30	\$13.53	\$6.16	\$4.01
\$22.72	\$24.00	\$28.00	\$24.15	\$13.33	-
\$14.92	\$16.79	\$20.35	\$13.58	\$11.85	-
US\$15.86	US\$15.93	US\$20.19	US\$17.66	US\$9.63	-
US\$10.12	US\$10.75	US\$13.03	US\$8.77	US\$8.64	-

CANWEST SHARES AND STOCK EXCHANGE LISTINGS

The Subordinate Voting Shares and Non-Voting Shares of the Company are listed on the Toronto Stock Exchange under the symbols CGS.SV and CGS.NV respectively. The Non-Voting Shares of the Company are also listed on the New York Stock Exchange under the symbol CWG. Issued and outstanding equity shares as at November 24, 2004 were comprised of:

- Multiple Voting Shares
76,785,976
- Subordinate Voting Shares
99,052,678
- Non-Voting Shares
1,441,965

Each of the share classes has a different number of votes per share. There are 10 votes per Multiple Voting Share and one vote per Subordinate Voting Share. Non-Voting Shares do not vote, except at meetings where the holders of such shares would be entitled, by law, to vote separately as a class.

CanWest is a constrained-share company, of which at least 66.7% of the Voting Shares must be beneficially owned by persons who are Canadian citizens or corporations controlled in Canada. There is no limit on the number of Non-Voting Shares that a non-Canadian can hold.

Any Canadian citizen purchasing Non-Voting Shares can present them for registration as either Subordinate Voting Shares or Non-Voting Shares. Non-Voting Shares can be purchased by anyone, Canadian or otherwise. Subordinate Voting Shares purchased by a non-Canadian will, upon registration of transfer, be converted into Non-Voting Shares.

EXECUTIVE STOCK OPTION PLAN

The Company has adopted an Executive Stock Option Plan under which eligible CanWest executives are entitled to receive options to acquire Subordinate Voting Shares or Non-Voting Shares. The Board of Directors administers the Executive Stock Option Plan and establishes the option price on the date on which any options are granted. In all cases, the option price has been the market value of the Subordinate Voting Shares as at the date the option was granted. The aggregate number of Subordinate Voting Shares or Non-Voting Shares which have been reserved for issue under this plan, together with any Subordinate Voting Shares and Non-Voting Shares reserved for issue under any options for service or other employee stock purchase or options plans established from time to time, may not exceed an aggregate of approximately 13.8 million Subordinate Voting Shares or Non-Voting Shares, and no individual optionee may hold options to purchase Subordinate Voting Shares or Non-Voting Shares in excess of 10% of the issued outstanding Subordinate Voting Shares or Non-Voting Shares at the date of the grant of the option. During fiscal 2004, 523,000 options were granted under the Executive Stock Option Plan, at \$12.85 per share.

BOARD OF DIRECTORS

THE HONOURABLE FRANK MCKENNA, P.C., Q.C.

Counsel, McInnes Cooper
Chairman of the Board

A lawyer, politician and businessman, Mr. McKenna won three mandates as Premier of New Brunswick and achieved national prominence for his leadership. After 10 years as Premier, Mr. McKenna decided to leave politics in 1997 and now devotes his time to the practice of law with McInnes Cooper, an Atlantic Canadian law firm; corporate directorships (Bank of Montreal, Noranda Inc., the C.D. Howe Institute, among others); and his long-time passion: the continued economic development of the Atlantic region.

LEONARD J. ASPER

President and Chief Executive Officer,
CanWest Global Communications Corp.

Mr. Asper is President and Chief Executive Officer of the Company. He was elected to the Board of Directors in 1997. Mr. Asper, a lawyer, joined CanWest in 1991 as Associate General Counsel for the Company's Global Television station in Ontario. Thereafter, he held various positions in Corporate Development, and was Chief Operating Officer. Mr. Asper took over the Presidency of the Company in 1999. He serves as Chairman of the Board of the Global Television Network and various other CanWest Global subsidiaries.

DAVID A. ASPER

Executive Vice President,
CanWest Global Communications Corp.
Chairman, National Post

Mr. Asper is Executive Vice President of the Company and a member of the Corporate Executive Management Committee. He was elected to the Board of Directors in 1997 and currently serves on the Executive and Pension Committees of the Board of Directors. Mr. Asper, a lawyer, joined the company in 1992 and has had various responsibilities covering corporate development and broadcast operations. As a member of the Corporate Executive Management Committee, Mr. Asper is actively engaged in the planning and implementation of broad corporate strategy.

GAIL S. ASPER

Corporate Secretary,
CanWest Global Communications Corp.

Ms. Asper is Corporate Secretary of the Company and President of the CanWest Global Foundation. She has been a member of the Board of Directors since 1992. She also serves as Managing Director of the Asper Foundation, a private charity. Ms. Asper is a graduate of Dalhousie Law School and practiced corporate and commercial law before joining CanWest in 1989. Ms. Asper is a member of the Board of Directors of CanWest Global Communications Corp., Great-West Lifeco Inc. and Great West Life Assurance Company, London Insurance Group Inc., London Life Insurance Company, Canada Life Assurance Company and Canada Life Financial Corporation.

DR. LLOYD I. BARBER, C.C., S.O.M., LL.D.

President Emeritus, University of Regina

Dr. Barber is President Emeritus of the University of Regina. He was appointed an Officer of the Order of Canada in 1978 and was elevated to Companion of the Order in 1993. He serves as a Director of several major public Canadian companies and was elected to the Board in 1992.

JALYNN H. BENNETT, C.M.

President, Jalynn H. Bennett & Associates Ltd.

Ms. Bennett is President of Jalynn H. Bennett & Associates Ltd., a Toronto-based consulting firm. She has served, and continues to serve, on a number of corporate and not-for-profit boards in Canada. Ms. Bennett was elected to the Board in January 1998. Ms. Bennett has indicated to the Board that she will not be standing for re-election at the Annual General Meeting in January 2005.

RONALD J. DANIELS

Dean, Faculty of Law, University of Toronto

Prof. Daniels has been the Dean of the Faculty of Law at the University of Toronto since 1995. He holds Bachelor's and Law degrees from Toronto, and a Master's degree in law from Yale. Professor Daniels has served as Director of the University of Toronto Electric Power Project, Chairman of the Ontario Task Force on Securities Regulation and a member of the Toronto Stock Exchange Committee on Corporate Governance. He was elected to the Board in January 2004.

BOARD OF DIRECTORS

DAVID J. DRYBROUGH, FCA

Business Consultant

A Chartered Accountant by training, Mr. Drybrough is a Winnipeg native and was Vice President, Finance with Winnipeg-based Gendis Inc. until December 2003. He retired in 1997 from the accounting firm PricewaterhouseCoopers LLP, then known as Coopers & Lybrand. Mr. Drybrough serves as a Director and Chair of the Audit Committee of Fort Chicago Energy Partners L.P. He also serves on the Board's Audit Committee, increasing the strength of professional accounting expertise on that committee.

PAUL V. GODFREY, C.M.

President and Chief Executive Officer,
Toronto Blue Jays Baseball Club

Mr. Godfrey was appointed President and Chief Executive Officer of the Toronto Blue Jays Baseball Club in September 2000. Prior to joining the Toronto Blue Jays, Mr. Godfrey was President and Chief Executive Officer of the Sun Media Corporation. In 1999, Mr. Godfrey received the honour of being appointed a member of the Order of Canada. He was elected to the Board in January 2004.

FRANK W. KING, O.C., P.Eng.

President, Metropolitan Investment Corporation

Mr. King is President of Metropolitan Investment Corporation and is the former Chairman and Chief Executive Officer of the XV Olympic Winter Games, held in Calgary in 1988. Mr. King is a Director of the Calgary Chamber of Commerce, Acclaim Energy Inc., Network Health Inc., The Westaim Corporation, Agrium Inc. and Wi-Lan Inc. and is a Trustee of Rio-Can Real Estate Investment Trust. He was appointed to the Board of Directors in November 2004.

EXECUTIVE MANAGEMENT

LEONARD J. ASPER

President and Chief Executive Officer

Mr. Asper, a lawyer, joined CanWest in 1991 as Associate General Counsel for the Company's Global Television station in Ontario. Thereafter, he held various positions in Corporate Development, and was Chief Operating Officer. Mr. Asper took over the Presidency of the Company in 1999. He serves as Chairman of the Board of the Global Television Network and various other CanWest Global subsidiaries.

DAVID A. ASPER

Executive Vice President
Chairman, National Post

Mr. Asper, a lawyer, joined the company in 1992 and has had various responsibilities covering corporate development and broadcast operations. As a member of the Corporate Executive Management Committee, Mr. Asper is actively engaged in the planning and implementation of broad corporate strategy.

TOM STRIKE

President, CanWest MediaWorks International

Mr. Strike, a Chartered Accountant, joined CanWest in 1986 and has held the positions of Senior Executive Vice President of the Company, Chief Operating Officer and, most recently, Chief Operating Officer, Corporate. In his current role, Mr. Strike is responsible for overseeing all international operations at CanWest and is the Chairman of CanWest MediaWorks NZ. He also oversees all corporate operations at CanWest, including legal services, finance, development and corporate affairs.

JOHN MAGUIRE

Chief Financial Officer

Mr. Maguire is responsible for all of the Company's financial and corporate accounting activities. A Chartered Accountant, Mr. Maguire also works closely with the Company's bankers and auditors, and maintains communication with financial communities throughout North America.

RICHARD LEIPSIC

Vice President and General Counsel

As a senior partner with the Winnipeg-based legal firm Pitblado Buchwald Asper, Mr. Leipsic provided CanWest with outside legal counsel and corporate development advice for many years before joining the Company in January 1999. Mr. Leipsic is responsible for all legal affairs and is an integral part of the development team. He has practiced commercial law since 1975.

GEOFFREY ELLIOT

Vice President, Corporate Affairs

Mr. Elliot is responsible for the Company's relations with governments, investors, media and the public. He was most recently at the Air Transport Association of Canada as Executive Vice President. Previously, Mr. Elliot held executive management positions at Air Canada, Noranda Forest Inc. (now Nexfor Inc.) and the Federal Department of Foreign Affairs and International Trade. His last position in government was Consul General of Canada in Atlanta, Georgia.

JOHN CULLIGAN

Vice President, Corporate Development

Mr. Culligan has primary responsibility for the Company's business acquisition and divestiture projects. He has been actively involved in the Company's international and domestic media investment endeavours since joining CanWest in 1999.

INTERNATIONAL OPERATIONS

NICK FALLOON

Executive Chairman, Network TEN

Mr. Falloon joined TEN in January 2002 as Executive Chairman, after previously serving as Chief Executive Officer of Publishing and Broadcasting Limited from 1998 to 2001. From 1994 to 1998, Mr. Falloon was Chief Executive Officer of PBL Enterprises and Group Financial Director of Publishing and Broadcasting Limited. In 1990, Mr. Falloon was appointed Financial Director of the Nine Network Australia Limited and General Manager of TCN Channel 9. Before that, he was Group Financial Controller of the Nine Network and, earlier, Chief Management Accountant. He joined the Nine Network in 1982 as an accountant. Mr. Falloon has been a Director of a number of companies including Foxtel, ecorp and TMS which, together with his PBL experience, provides a strong background in television, pay TV, magazines, radio and the internet.

BRENT IMPEY

Chief Executive Officer,
CanWest MediaWorks NZ

Mr. Impey has overall responsibility for CanWest MediaWorks NZ, a publicly traded company which encompasses all of CanWest's media properties in New Zealand. A lawyer and former Executive Director of the Radio Broadcasters' Association, Mr. Impey has won numerous awards including the 1990 Mobil Radio Award for Broadcaster of the Decade and the New Zealand Commemoration Medal for Services to Broadcasting.

RICK HETHERINGTON

Chief Executive Officer, TV3 Ireland

Mr. Hetherington oversaw the start-up operation of TV3, the Republic of Ireland's first private television network which launched on September 20, 1998. Prior to this appointment in January 1998, he was General Manager of CanWest's Global Television Network station in Winnipeg. Mr. Hetherington has over 20 years' experience in television management and extensive experience in production, marketing, sales and promotion.

CANADIAN OPERATIONS

RICHARD C. CAMILLERI

President, CanWest MediaWorks

Mr. Camilleri joined CanWest in 2002 with responsibility for management oversight of all the Company's media and entertainment operations in Canada. Prior to joining CanWest, Mr. Camilleri was President, Sony Music Entertainment (Canada) for seven years and, since then, Chairman, President and Chief Executive Officer of Arius3D Inc., a Canadian high tech company with proprietary technology in the field of high-resolution 3D digital imaging.

KATHLEEN A. DORE

President, Television and Radio,
CanWest MediaWorks

Ms. Dore was previously President, Entertainment Services for Rainbow Media Holdings Inc., where she was responsible for U.S. cable networks AMC (American Movie Classics), IFC (Independent Film Channel) and WE (Women's Entertainment). Prior to that, Ms. Dore was President of Bravo Networks (U.S.) until its sale to NBC in 2002. At Bravo, Ms. Dore oversaw development of award-winning series *Inside the Actors Studio* and *Queer Eye for the Straight Guy*.

CANADIAN OPERATIONS

MICHAEL G. WILLIAMS

President, Publications,
CanWest MediaWorks

Mr. Williams joins CanWest from *The New York Times* where he served in senior executive roles as Vice President and Chief Information Officer of both The New York Times Company and *The New York Times* newspaper. In this dual role, Mr. Williams was responsible for all IT strategy and operations as well as a wide range of publishing operations.

JOSEPH T. MANGIONE

President, Sales and Marketing,
CanWest MediaWorks

Mr. Mangione joins CanWest following a long career in media sales and marketing, most recently as Senior Vice President at Time Warner where he was responsible for all multi-platform integrated sales and marketing relationships across the U.S. Prior to that, Mr. Mangione was Senior Vice President, Global Client Solutions at Turner Broadcasting. Previous positions included Publisher, Integrated Marketing at *Better Homes and Gardens* and Vice President, Marketing for *Playboy* magazine.

PETER ASHKIN

President,
CanWest MediaWorks Technology Group

Mr. Ashkin joined CanWest from America Online, Inc., where he was Executive Vice President, Digital Media Services (DMS). At AOL, Mr. Ashkin was also President, Product Strategy and guided technical implementation, including platform architecture of consumer based products and services. Prior to that, Mr. Ashkin was Senior Vice President and Chief Technology Officer at Gateway Computers, Inc. In previous years, Mr. Ashkin held executive management positions at Toshiba and Apple Computer, Inc.

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

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INVESTOR RELATIONS

John Maguire
Chief Financial Officer
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jmaguire@canwest.com

GENERAL INQUIRIES

Geoffrey Elliot
Vice President, Corporate Affairs
(204) 956-2025
gelliot@canwest.com

WEBSITES

Corporate
www.canwestglobal.com

CanWest Interactive
www.canada.com
Includes links to all CanWest Canadian properties and local newspaper and television sites.

Network TEN Australia
www.ten.com.au

CanWest MediaWorks NZ
www.mediaworks.co.nz

TV3 New Zealand
www.tv3.co.nz

C4 New Zealand
www.c4tv.co.nz

TV3 Ireland
www.tv3.ie

Sales
www.canwestmediasales.com

REGISTRARS AND TRANSFER AGENTS

Computershare Trust Company of Canada
Calgary, Canada

Bank of Nova Scotia
Trust Company of New York
New York City, U.S.A.

AUDITORS

PricewaterhouseCoopers LLP
Winnipeg, Canada

BANKERS

The Bank of Nova Scotia
Toronto, Canada

Canadian Imperial Bank of Commerce
Toronto, Canada

Westpac Banking Corporation
Auckland, New Zealand
Sydney, Australia

The Toronto Dominion Bank
Sydney, Australia

LEGAL COUNSEL

Pitblado
Winnipeg, Canada

Osler Hoskin & Harcourt
Toronto, Canada

Torys
Toronto, Canada

Kaye, Scholer, Fierman
Hays & Handler, LLP
New York City, U.S.A.

Cleary, Gottlieb, Steen & Hamilton
New York City, U.S.A.

Clayton Utz
Sydney, Australia

Russell McVeagh
Auckland, New Zealand

A & L Goodbody
Dublin, Republic of Ireland

CANADIAN OPERATIONS

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81 Barber Greene Road
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Fax: (416) 446-5449

Richard Camilleri
President

See complete listings at
www.canwestglobal.com

INTERNATIONAL OPERATIONS

CANWEST INTERNATIONAL COMMUNICATIONS

Enfield House, Upper Collymore Rock
St. Michael, Barbados
Telephone: (246) 437-6031
Fax: (246) 437-0780

Yale Lerner
Chief Executive Officer

NETWORK TEN

1 Saunders Street, GPO Box 10
Pyrmont, NSW
Australia 2009
Telephone: (61) (2) 9650-1010
Fax: (61) (2) 9650-1111

Nick Falloon
Executive Chairman

CANWEST MEDIAWORKS NZ

P.O. Box 8822
Symonds Street
Auckland, New Zealand
Telephone: (64) (9) 373-2435
Fax: (64) (9) 373-2483

Brent Impey
Chief Executive Officer

3/C4 TELEVISION NETWORKS

3 Flower Street, Eden Terrace
Auckland, New Zealand
Telephone: (64) (9) 913-3344
Fax: (64) (9) 366-5999

Rick Friesen
Managing Director

TV3, REPUBLIC OF IRELAND

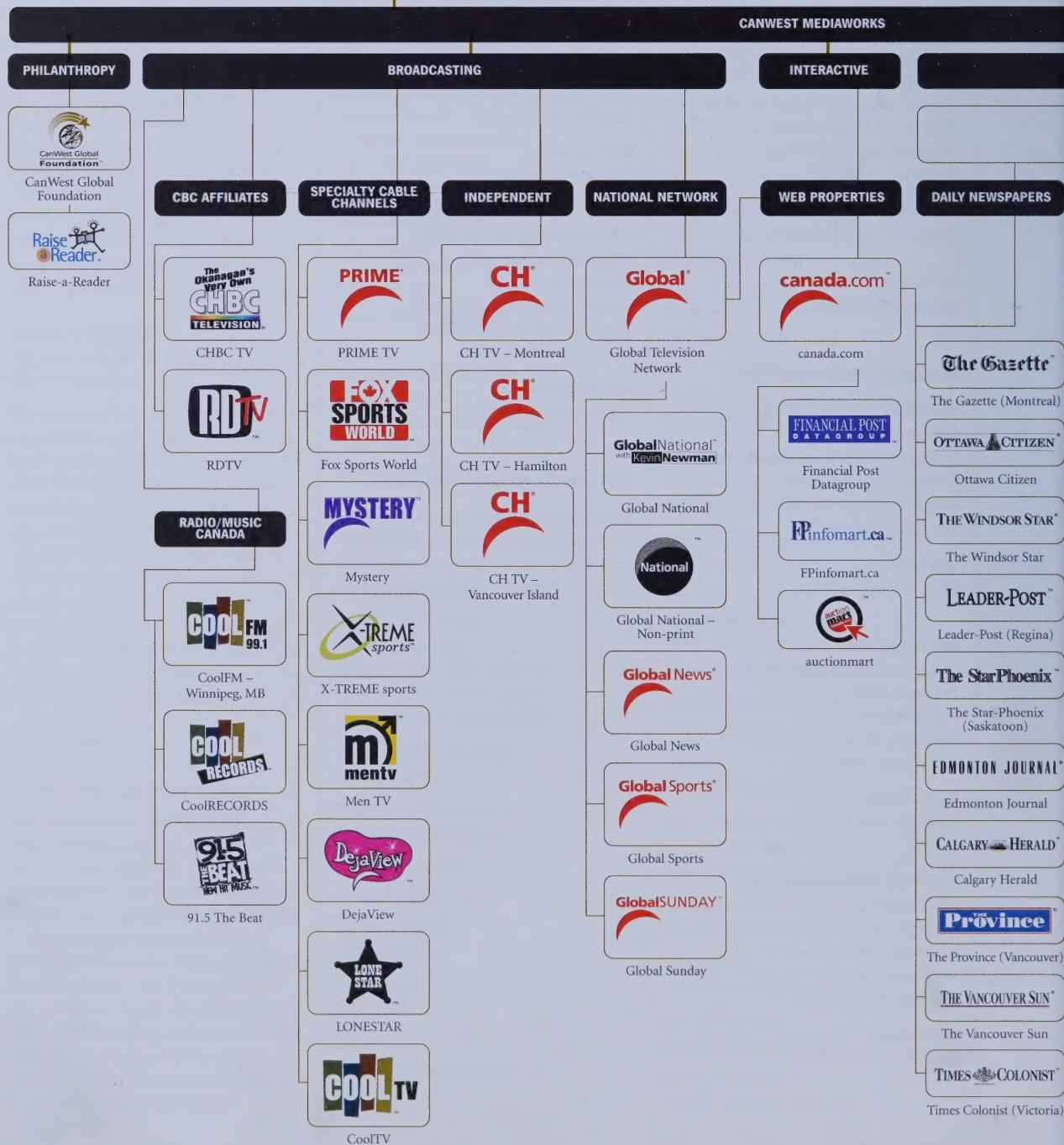
Westgate Business Park
Ballymount
Dublin 24, Republic of Ireland
Telephone: (353) (1) 419-3333
Fax: (353) (1) 419-3300

Rick Hetherington
Chief Executive Officer

NOTICE OF ANNUAL MEETING:

The Company's Annual General Meeting of Shareholders will be held on Thursday, January 27, 2005 at 2:30 p.m. at the Design Exchange in Toronto, Ontario.

BRAND PORTFOLIO



PUBLISHING



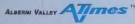
COMMUNITY NEWSPAPERS



Abbotsford/Mission Times



Advance News



Alberni Valley Times



Alberni Valley Pennyworth



Burnaby Now



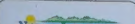
Chilliwack Times



Comox Valley Echo



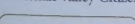
Courier-Islander



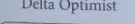
The North Islander



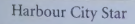
Cowichan Valley Citizen



Delta Optimist



Harbour City Star



Maple Ridge/Pitt Meadows Times



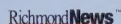
Nanaimo Daily News



North Shore News



Oceanside Star



Richmond News



The Now Newspaper



The Coquitlam Now



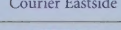
New Westminster Record



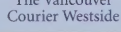
The Vancouver Courier Downtown



The Vancouver Courier Eastside



The Vancouver Courier Westside



Westerly News

NATIONAL NEWSPAPERS



National Post



Financial Post

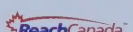
NEWS SERVICE



CNS CanWest News Service



CanWest Media Sales



Reach Canada Contact Centre

SALES & RESEARCH

PRODUCTION & DISTRIBUTION

CANWEST MEDIAWORKS INTERNATIONAL

NEW ZEALAND



CanWest MediaWorks (NZ) Limited



CanWest Studios



Mobile Video Production



CanWest Entertainment



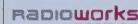
TVWorks



3 - New Zealand



C4 - New Zealand



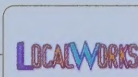
RadioWorks



Channel Z - New Zealand



MORE FM - New Zealand



LocalWorks - New Zealand



The Rock - New Zealand



The Edge - New Zealand



Radio Pacific



Solid Gold

AUSTRALIA



Network TEN - Australia



Eye Corp.

IRELAND



TV3 - Ireland



**CanWest Global
Communications Corp.®**

CORPORATE OFFICES

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